

LEADING GROWTH FIRMS SERIES

PUBLICATION
NO. 5



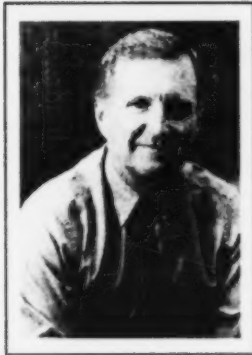
WISDOM EXCHANGE 2000 REPORT

CEOs SHARE THEIR INSIGHT
ON E-GROWTH



Leading growth firms employ
between 20 and 500 people,
have a minimum growth rate of
50% (gross sales) over three
years and maintain their global
head office in Ontario.





FOREWORD FROM THE MINISTER OF ECONOMIC DEVELOPMENT AND TRADE

June, 2001

On November 2-3, 2000, CEOs from some of Ontario's leading growth firms met at the annual Wisdom Exchange to share their perspectives on E-business. This report is a compilation of insights and experiences that were discussed at the peer-to-peer forum.

Business leaders are constantly challenged by new ways of doing business. Among leading growth firms, 90% have already implemented or are implementing at least one E-business initiative. Their challenge now is to identify what mix of E-business strategies will strengthen their organizations. The forum gave CEOs who have built Ontario's leading growth firms the opportunity to discuss how innovative tools, such as the Internet, can enhance growth and expand business opportunities.

The Wisdom Exchange 2000 Report is a record containing highlights of the discussions. CEOs shared their views frankly and freely on the pros and cons of adopting and implementing new technologies. We are planning other opportunities to bring top decision-makers together again to explore issues of importance for business development and growth. Our next Wisdom Exchange is scheduled for May 2002. We want to ensure that Ontario continues to be a world leader and are pleased that we can support the event along with our corporate partners.

In Ontario, we have many business advantages and tremendous resources – a location in the centre of the Great Lakes market and world class technology, just to name two. These resources provide the right environment for businesses to create the best products, services and technological systems that are essential to compete in today's economy. With hard work and an entrepreneurial spirit, CEOs of leading growth firms have helped the province make the most of its advantages while keeping our economy growing by creating over one-third of all new jobs. This government is committed to providing leading growth firms and all Ontario businesses with an economic climate that is favourable to creating new jobs in our world of constant change.

I would like to thank the CEOs, presenters and corporate sponsors who made Wisdom Exchange 2000 a success. I hope this report, the fifth publication in the *Leading Growth Firms Series*, will be a useful resource.

A handwritten signature in black ink, which appears to read "R. Runciman". The signature is stylized with a large, sweeping initial "R".

Robert W. Runciman, MPP
Leeds-Grenville
Minister

CONTENTS

INTRODUCTION	1
CHAPTER 1: THE E-BUSINESS PROPOSITION	3
HOW MUCH WILL IT CHANGE OUR BUSINESSES?	
Is E-business just a fad?	
Jumping on the bandwagon	
Is it just another tool?	4
Jumping in with brochure-ware	
Fishing for functions	
OUR COMFORT LEVEL WITH THE E-WORLD	5
It's an add-on, not a substitute	
New ways of doing business	
New business models	6
CHAPTER 2: STRATEGIZING FOR E-BUSINESS	7
NEVER MIND THE BUZZ -- IS IT RIGHT FOR YOU?	
The business and the technology	8
Where's the return?	
Look before you leap	
THE VALUE PROPOSITION	9
Keeping in tune with customers	
Keeping ahead of competitors	
Communications	
New directions	10
CUSTOMERS	
Relationships	
Timing	
Identifying needs and wants	11
Competitors	
Staff	12
PLANNING	
The big picture	
Action planning	
Process	13
Globalization	
Getting help	
CHAPTER 3: IMPLEMENTING E-BUSINESS	14
USING OUTSIDE HELP WISELY	
Beyond a Web page brochure	15
Getting brochure-ware right	
Finding the right service providers	
Finding the right systems	16
Building solid foundations	
Connecting the food chain	
Dealing with legacy systems and people	
FINANCING	17
Investing in the unknown	
Banks and venture capital (VCs)	
There's more than one way to raise capital	18
MANAGING CHANGE	
Is this fast enough?	
Can you control it?	
Managing expectations	19
There's a gold mine of information out there	
Communicating the vision	

CHAPTER 4: MANAGING CUSTOMERS	21
IT WORKS FOR SOME, NOT FOR ALL	
Can the Web create a desire — or just service an order?	
Convenience	22
CUSTOMER RELATIONSHIPS	23
What's in it for the customer?	
What's in it for you?	
When a "hit" is not a sale	24
The end of the mass market	
Customer readiness	25
Identifying customers' needs	
A new world of interaction	
It's all about relationships	26
Buying a customer relationship management (CRM) system	
CHAPTER 5: MARKETING	28
PROSPECTING	
Drawing people to your Website	
Making sure you're getting the right people	
Put resources where they make a difference	29
Market research through news groups	
Permission-based E-mail and "viral" marketing	
Advertising	
The power of E-mail	30
E-mail as a marketing strategy	
CHAPTER 6: HUMAN RESOURCES	31
SHOULD YOU CONTROL EMPLOYEES' ACCESS TO THE INTERNET?	
HIRING AND VALUES	32
Challenge #1	
Employee attitudes	
Hiring techniques	
Holding on to good staff	33
Empowerment	34
Recognition	
Making the workplace fun	
Competing offers	
Poor performers	35
TRAINING	
Make it part of the culture	
Mentoring	
Time and money for training	
CHAPTER 7: THE VIEW FROM THE TOP	36
THE CEO'S TOP PRIORITIES	
Reinvent yourself continually	
Grow your team	37
Focus on core competencies	
Manage your cash	38
Just how important is the Internet?	
Strategic partnerships	41
Map out your program	44
Getting help	45
Lean on the resources of big companies	
Outsource the IT infrastructure	46
BIG COMPANIES HELPING SMALL ONES	
What's the upside of shared risk/reward?	47
Investment programs for small companies	
CHAPTER 8: E-REVOLUTION, STAGE 2	49
PROFILE #1: HOMEPROJECT INC.	52
PROFILE #2: D-CODE	56
PROFILE #3: RESEARCH IN MOTION	60
CORPORATE SPONSORS	63
PARTICIPATING FIRMS AND WEBSITES	74

THE WISDOM EXCHANGE 2000 REPORT – AN OVERVIEW

Since 1995, Ontario's Ministry of Economic Development and Trade has offered support to leading growth firms of the province by hosting the Wisdom Exchange with corporate sponsors.

The Wisdom Exchange is a unique discussion forum where CEOs and Presidents of Ontario's leading growth firms meet peer-to-peer in an atmosphere of free-flowing ideas, to tackle the challenges and opportunities of rapid development and continuous innovation. Over its six-year history, this forum has provided numerous business leaders with opportunities to make new contacts and share ideas for the present and future.

CEOs and Presidents of leading growth firms who attended Wisdom Exchange 2000 had a unique opportunity to interact with other CEOs, tap into combined experiences, and exchange ideas that raise the bar.

This report focuses on the discussions that took place at November's Wisdom Exchange 2000, about the challenges of managing Ontario's fastest-growing firms in the face of the rapid changes brought about by the rise of E-business.

The successful men and women from all industry sectors who attended the Wisdom Exchange grew their businesses into leading growth firms through vision, hard experience and continuous innovation. As employers they have shown that their attitude and management techniques are unconventional and that they are willing to change their own role as the needs of their companies change. They delegate only when they are

certain the job will be done to their satisfaction. Their unwavering commitment to growth will let nothing and no one – not even themselves – stand in the way of innovation and evolution. They understand their firm's core competencies and put much effort into building relationships and understanding their customers' needs.

With estimates that Canada's Internet marketplace for business-to-business trade will grow by \$218 billion by 2004, E-commerce has become a bona fide though controversial topic. As Internet users, Canadians rank second-highest in the world. To ensure continued growth and improve their competitive advantage, CEOs of leading growth firms must weigh the advantages and disadvantages of the E-business proposition against traditional business models. Their exploration of the new rules of competition in the global economy and the potential benefits of jumping on the E-business bandwagon generated lively debate.

The Wisdom Exchange 2000 report is not intended as an instruction manual. Rather, it is a summary of the views and comments of more than 200 business leaders from all industry sectors who understand their key strengths and put much effort into identifying the needs of their customers.

Chapters one through six provide direct quotes from CEOs *[except for introductory paragraphs and explanatory passages in italics]* on a wide range of topics covered in more than 30 small round-table discussions. The quotes have been organized in point form and divided into topics to give readers easy access to the full range of viewpoints to help them locate subjects and points of interest more quickly.

Chapter seven presents insights and a summary of the 90-minute Powerhouse Plenary panel discussion between CEOs of four leading Canadian companies: Hewlett-Packard (Canada) Ltd., IBM Canada Ltd., Microsoft Canada Ltd. and United Parcel Service Canada Ltd. The CEO and Managing Partner of Digital 4Sight, a leading E-business research and consulting firm, was the moderator. The panel discussion generated a diverse range of perspectives on E-business priorities for leading growth firms.

Chapter eight is a summary of ideas presented by featured speaker Polly La Barre, Senior Editor of *Fast Company* magazine, whose address was rated as "excellent" by the majority of CEOs who filled out evaluations following the event. The presentation offers ideas, techniques and tactics to help companies grow and manage change.

Profiles of CEOs of three fast-growing firms are included, along with messages from corporate sponsors of Wisdom Exchange 2000. A listing of Website addresses for the participating leading growth firms completes the report.

The Wisdom Exchange 2000 Report is filled with ideas, experiences and questions that were examined by the CEOs at the event. Any business leader can learn from them and review the particular circumstances of his or her company in the light of what is reported here. Some opinions are contradictory, showing that one size never fits all.

CHAPTER I

THE E-BUSINESS PROPOSITION

CEOs are debating just how much the Internet will change the way they do business and increase profits. Is it just another tool that will not change what already exists? Or do they have to reinvent themselves to accommodate a new business model? CEOs are engaged in identifying the potential of the Internet as they search for its ultimate functionality. The conclusion is that the Internet's major contribution is to re-focus relationships.

HOW MUCH WILL IT CHANGE OUR BUSINESSES?

IS E-BUSINESS JUST A FAD?

- It enables a small company to be a Wayne Gretzky.
- We've had about 80,000 hits from around the world. We've gained two new customers. One was in North Dakota, where we would never have expected a response.
- I didn't realize the benefits would be as great, but this isn't something for everybody.
- Are you in the value business or the volume business? If you're selling online, you don't get a chance to tell your story. The computer is telling the story.
- Customers I've spoken to don't see value in having an interactive Website.
- We have never sold anything through our Website. Is this causing more hassle than it's worth?

JUMPING ON THE BANDWAGON

- If you don't get on the bandwagon, you are going to be left behind.
- Fear drives a lot of people to get involved in the technology: everyone is there so I need to be there, too. Probably, within five years, firms will be ordering and putting out RFPs on the Web, so there is a need to be proactive and get involved before being forced into it.
- Every business should achieve a comfort level with E-business. If you are not ready when the customer is, you will lose the customer.
- You can provide useful information to the customer making a buying decision. You could become the one who is the benchmark against which your competitors are evaluated.
- If we don't embrace technology, it will look like we are not progressive.
- The holy grail of E-business is to be fully integrated.
- It's not only the system — it's changing your business.
- E-business is not the front end: it is my business. There is no other alternative than to be a Web business, fully integrated with no parallel systems.
- We use a private E-mail system. Subscribing to portals makes it look like your site but there could be thousands using the same system.
- You must use the Web (Internet and Intranet) to communicate and put the old paper methods aside.

IS IT JUST ANOTHER TOOL?

- The Internet is just the latest technology. In my business, we use the Internet extensively. We use technology all the time and I wouldn't call us an "E-great" company. It's just a tool.
- I need personal relationships to solidify my business. I am not the cheapest supplier but I add value that benefits my customers. I would not be as dominant in my industry if I did only E-business.
- Just because we use E-business approaches doesn't mean we're an E-business – we're just using the Internet as another tool.
- Technology is real – it's staying, E-business is just business.
- It's just another communications tool following in the footsteps of the phone and fax.
- The Internet can't be the primary channel. It has to be integrated into other channels.
- The Web should help reduce the amount of time it takes to do business. From my perspective, it's about how fast you move.
- The "E" in E-business means "easy" business.

JUMPING IN WITH BROCHURE-WARE

- We've tried E-mail and newsletters. Putting it up on the Web is the best thing. For customers, it's more satisfactory and it looks more professional, but it can't cut out the salesmen yet.
- If the information on your Website is no better than before E-business came along, then it's no good.
- The hard thing is figuring out what you want to say. Who is my audience and what do I want to say? You need a message to give people a sense of what it's like to work with you and to show how different you are. This builds confidence in the company.
- A brochure Website can be a valuable tool. The language you use affects the image of the company. A lot of the work is thinking through your message.
- Our Website is integrated with our brochure. It is aimed at both new and existing customers. It's about building customer confidence: here's what you can expect from us.
- Customers often want a progress report on projects.

FISHING FOR FUNCTIONS

- Going on the Web is like going on a fishing trip – you don't know what you are going to catch.
- We originally tried to use it for things such as online leads, but it has changed our whole organization. We have had to hire a lot more people.
- We started out as a retailer, not as an E-commerce. It's a snowball that starts on a steep hill.

- My business model is changing all the time: before I knew it, I moved from selling a product to selling a service. And the issues change: I know how to price a product, but how do you price a service?
- I'm going the other way: mine was a service company and now I'm developing products. It's scary. I'm not really sure how I'll make money on it. I'm not sure at all what my business model will eventually look like.

OUR COMFORT LEVEL WITH THE E-WORLD

IT'S AN ADD-ON, NOT A SUBSTITUTE

- We're human beings and there is a human need for interaction and the Web cannot fulfil that human need. Think of the mall and talk about retail shopping!
- I see the generation coming up right behind me feeling very comfortable with technology. Is personal selling the be-all and end-all?
- The myth of E-business is that you don't have to be on the road talking to clients. E-business is not a substitute for personal contact.
- You can't match what we get out of one-on-one meetings by holding E-meetings on the Net.

NEW WAYS OF DOING BUSINESS

- It's extremely important to be critical of E-business. However, I agree that the Web will change the way business is done. There are already cases where there is significant change. One example is the Yellow Pages.
- I thought that advertising in the Yellow Pages was going to be a complete waste of money, but it wasn't.
- We use the Internet for buying. I wanted to travel last week. So I called Air Canada and they quoted a rate. Then I went online and got a virtual ticket. I saved a couple of hundred dollars.
- The debit card made automated ticketing possible at theatres. Now there are only one or two people at the desk selling tickets to customers who are not comfortable with the kiosk. Computers gave them the ability to change the scheduling of films. They also gave them the ability to reschedule daily and reconfigure the signs digitally. Theatres are able to use all of the information that comes from the system for information purposes. It has completely changed the way the theatre is run!
- Yes, but now movies can be accessed on the Web.
- Theatre performs a social function. The Famous Players model has been to put in a lot of restaurants, so you can go there and spend the whole evening. It's directed at the dating generation. People in the film business are not making money from movies. They are profiting now from food services and games.

- Most of us who are here are still learning what E-business is. Most of the big E-business companies started in E-business. Most of us have a successful business and aren't going to throw out our business models to do E-business.
- Don't use the Internet for the sake of doing it. Use it to re-think and focus on relationships. From bricks to clicks is a difficult transition and the process needs to be "visioned." E-business is not like putting lipstick on a bulldog, because it will still be a bulldog. With the Internet, we are talking about fundamental change.
- The Internet will change the way you make money. Understand and manage that change.
- We're moving into new areas of business, but I'm nervous that we're putting our core business at risk.
- Consumers are driving my business — they're doing things on their home computer, then coming to work and wanting their work computers to do the same kinds of things.
- My solution was to change my sales strategy to create client ambassadors that focus on specific sectors. Then I created a marketing budget for each sector and spent it on sector-sponsored IT sessions and trade shows. I'm expanding my Internet presence and operating kiosks. I'm doing speaking engagements. We're trying to get our name out.

E-BUSINESS READINESS ASSESSMENT OF LEADING GROWTH FIRMS

Over 180 CEOs and Presidents of leading growth firms completed a questionnaire to measure their E-readiness between August and October 2000.

Digital 4Sight, a leading E-business research and consulting firm, conducted this research together with the Ministry of Economic Development and Trade. CEOs who completed the assessment received a benchmark of their company's scores compared to the "best-of-breed" scores. They also received a personalized interpretation of findings and recommendations for next steps.

The aggregate report of findings has been released as Publication No. 4 in the Ministry's *Leading Growth Firms Series* of publications.

CHAPTER 2

STRATEGIZING FOR E-BUSINESS

E-business can be many things, so it is essential to make it fit each company's specific circumstances — in terms of where it is and where it wants to be. It is vital to understand where technology is heading and to assess the investment in E-business on broader criteria than ROI. The value proposition needs to be clear for all stakeholders — customers, suppliers and business owners. E-business enhances customer relationships, but it is the customer who dictates the timing. It also redefines relationships with competitors, who may become allies in some respects. In implementing Internet strategies, however, all the usual requirements for planning processes apply.

NEVER MIND THE BUZZ – IS IT RIGHT FOR YOU?

- Use E-business as a tool. If you think about E-business, you're thinking about the wrong thing.
- Know your own business and how it's going to benefit. Opportunities and threats to a business are key.
- Planning should be about the business we're in and the business we want to be in.
- Your E-business strategy must evolve from your business strategy.
- E-business may drive your business strategy in new ways. You may need to revisit your business strategy after you plan your E-business strategy.
- The CEO has to look at the entire organization. Creating an E-commerce site is not the end.
- Examine the business processes and then ask, "What is possible?"
- There has to be a business reason to implement an E-business solution.
- There are four things to consider: time, cost, risk and service. You want to reduce the first three and increase the fourth.
- Most people look to decreasing cost, then improving communication and extending reach. Cost is good to go after, but growth should be the focus.

New techniques on the Net

- Going online can improve efficiency, develop better customer relationships and provide enhanced services or products. E-business must help bring in new customers or enable you to provide a higher valued service or product to existing customers.
- Use technology to open markets that are not available through traditional business models.
- The Internet allows you to aggregate. Use it as a vehicle to centralize your needs into bundles of customers that have similar needs.
- Mobility is a growing issue. New technologies will allow companies to target their markets more easily.

- A lot of people are asking how the Internet helps them grow. They can see how it cuts costs and improves customer relationships. How will the Internet increase revenue?
- You might want to work with an incubator organization so you are not taken away from your focus.
- E-business is all across my business – not just in parts of it. I have a relatively new business and it was built with Net technology. "E" for me is not just a pet project for one person – it is a better way to run the whole business.

THE BUSINESS AND THE TECHNOLOGY

- Understand where you are and where technology is going.
- Someone referred to the Internet as a hammer looking for a nail.
- Many IT projects get into problems because they are science projects, not business projects.
- A company may be able to do many things, but should they?
- E-business projects need to increase customer convenience or save time and money for the company.
- If you believe in this technology, then take the steps to keep up with it. I suppose I'm a bit of a laggard in that respect and I've almost viewed it as an intrusive device. I realize that is not the approach to take and it's given me the impetus to get our organization up to speed on this technology. Is it a good thing? Is it wasting time? If you want to see it from your customer's viewpoint, you've got to explore the Net yourself.

WHERE'S THE RETURN?

- How can you analyze ROI for these kinds of investments?
- You are in business to make money. E-business must be linked to a probable business case or else it's a frivolous waste of money.
- Return on investment will be a measure of your success or failure.
- Traditional ROI analysis does not work. You need a business reason built around the customer. Use ruthless execution. On the Net, execution is more important than planning. First-to-market still applies!

LOOK BEFORE YOU LEAP

- Be careful when you start buying more software and equipment. It's better to send scouts out first, because it can suck up time, imagination and money. It's better to be safe than sorry. If you make the wrong decisions, you may regret it. I know a company that spent \$60K to develop a very nice Website with graphics that was very slow and defeated the whole purpose.

THE VALUE PROPOSITION

KEEPING IN TUNE WITH CUSTOMERS

- Don't forget to educate the customer to recognize Internet value.
- Customers in some industries (e.g. construction) are way behind in adopting the Internet and that becomes a problem.
- I can give things to my customers, but do I want to?
- You have to find a way to talk to your customers.
- A first visit to a Website isn't success. Return visits are a success.
- I am concerned about turning people off when I launch my Website – and whether I will be able to deliver on the increased demand.

Tips for customers

- *Engage in interactive product development with customers.*
- *Enable product design changes by the customer. For example, in the automotive sector, people are already designing over the Internet.*
- *Use the Internet as a mechanism to get customer feedback.*
- *Use the Internet for scheduling. I have an application which allows the customer to see where their product is in the development/production process.*

KEEPING AHEAD OF COMPETITORS

- The costs, the time, the skill sets and the complexity are all greater than you first imagined, but the outcome is that you can differentiate yourself from your competition.
- The Internet gives us access to competitive intelligence within five minutes. Information gatherers are being redefined. You need fewer people, but those people have to be very good.
- Websites only educate my competitors; I have no intention of going on the Net.
- There are competitors throughout the world you didn't even know about.
- Businesses are in danger from competitors wherever they may be – those who refuse to get involved and don't pay attention face the possibility of being surprised by a similar business that is into E-business. It could be located anywhere on the globe!

COMMUNICATIONS

- E-business means information dissemination in many ways: it allows a company not only to drive revenues but to get group buy-in in real time across the company.
- The Internet is a big advantage for a CEO because it allows communication regardless of where the CEO is in the world. This is a huge relief when travelling.
- The Internet can give offsite access to company data by field service and sales people.

- Don't stick with the same product all the time or you'll be a manufacturer of buggy whips. This is the impact of E-business. Instead of concentrating on existing products, you might want to concentrate on producing a new product.
- The Internet allows for an increase in productivity: I can E-mail pictures of crops to customers overseas. The information capabilities are limitless.
- The Web is very efficient at tracking responses. If the site is engaging and valuable to your customers, you can track and fine-tune your product based on usage of the Website. You can measure value. When we do a mail-out, we can measure it.
- The Internet is a pull – banner ads are there to pull people to the site.

CUSTOMERS

RELATIONSHIPS

- A lot of people have approached the E-business/E-commerce strategy by working in partnership with customers. We put technology in our customers' hands to keep relationships.
- Using E-mail to chat with customers helps increase usage.
- Business-to-business is concerned about building relationships.
- The Internet is the antithesis of building relationships.
- You need to find a win-win solution. Both sides in B2B need to gain from the relationship.
- Customers will dictate how progressive you need to be.
- The customer will not tell you how progressive you should be.
- As a business service provider, you must be able to measure how customers bring value to the client relationship – by quantifying, valuing and measuring. This is the next big biz-wave!

TIMING

- We are a traditional business and we are now running into log jams dealing with suppliers who are not on the radar screen with E-business. We are eager to go with E-business but our own business networks (suppliers and customers) are at varying levels of readiness.
- We are ahead of our clients also. Sometimes the client is the worst person to tell you what he or she needs. We want to be in a position where we are ready to go when our clients start using E-business.
- Once architects start using E-business, we will put our catalogues online, but you can't go faster than the rest of the world.
- It may be valuable to survey your customers and determine their state of Web-readiness. It is crucial to know where customers are at.
- Don't get too far ahead of your customers.

- Note that things that don't work today might work better later. Buyers in my industry use catalogues now, but that doesn't mean that their behaviour will not change.
- I agree it's all end-user behaviour, but do you become the martyr?
- I try to stay 10 per cent ahead of what the customers think they need. It's a waste of time, energy and money to do more.

IDENTIFYING NEEDS AND WANTS

- Leverage the business through technology but use it to really understand what consumers want.
- In B2B, you focus on people's needs. In business-to-customer, you focus on people's wants.
- You need to look at "wants" to build revenues.
- B2B is where companies may struggle. How will the Internet help them keep business customers?
- It's about what other information and services you can put on the Net to grow the connection with other businesses.
- The issues are acceleration and optimization!
- The manufacturing business is moving to mass customizing – smaller quantities and customizing are becoming the norm. Business will grow by meeting customer demands. Never refuse a customer demand without completely analyzing the request.
- We get pulled into the channel by our customers.
- Big customers don't want to go from EDI to the Web. That's because the Web-based tools aren't there yet.
- It's important not to lose sight of the customer's actual needs or requirements by trying to keep up with the technology used by the competition.

COMPETITORS

- Embrace competition: you can't do it all alone. If you do this, some will die, but more will survive together. You can not be all things to all people, so work with your strengths and get help where you need it.
- We monitor our competition to determine the impact on their firms.
- Don't post everything on your Website. People put all kinds of things up there that are utterly unimportant. Also, if you post too much, a competitor may start to know too much. For example, one of my major competitors put up their customer list! You should work out a formula to beat the competition.
- Before implementing an E-commerce application, companies need to perform a cost/benefit analysis and also take into account what the competition is doing.
- You must assess the risk of educating the competition and the security risks associated with a Website and put in place mechanisms like password protection.

- We need to grow from \$100 million to \$500 million. I'm not the right guy to be CEO, so succession planning is an issue.
- We have three guys in our IT area. They're doing a great job, but I don't understand it. They just tell me this is how it is. There's a lot about the IT world which I don't know the first thing about. How do you manage change?
- I needed to get rid of some people who were there from day one.
- If product managers want to market on the Web, it comes out of their marketing budgets.
- When you're streamlining management, hire new people. People at a certain age and position find it very difficult to change, so you need to change the people.

PLANNING

THE BIG PICTURE

- How much time do you devote to looking at what goes on in the world of E-business vs. simply running the day-to-day business of your organizations? I find that, if I spend too much time on day-to-day operations, the comfort levels to move my business forward decline. I spend about 30 per cent of my time watching where things are going – the big picture – and the rest of my time operating the company on a day-to-day basis.
- I look at employees and what they know and what they need. I use this as an indicator of where my industry is going.
- I have gained so much knowledge watching my industry that we are now selling our own systems to our competitors.

ACTION PLANNING

- We are all struggling with what to do. This means we need to do more research than development. Most good research comes from failure, but can you afford to fail? You need to accept the fact that most experiments fail.
- We need to consider a "Ready, Fire, Aim" rather than a "Ready, Aim, Fire" approach.
- Talking about "Ready, Aim, Fire" versus "Ready, Fire, Aim" implies you know the target.
- I follow the "Try First" approach. My strategy is to try it first and modify it based on the results.
- We do a "quick & dirty" version of our new ideas in order to test and experiment with them. We learn from it, and then we put into place the processes. It's useful, because you know you won't get it right the first time.
- We've got our basic Internet going, but right now we're putting in the hardware and software so that down the line we can put in place the E-business strategy we have in mind. And how do we put E-business in place in a modular fashion? It's not just a financial concern. It's also whether our people can sustain it, and how to put in place models to measure. I get all these ideas coming to me but need to have a way to measure what I'm told.

- Monster.ca was an idea that developed over five years. They made tactical adjustments along the way, but they had a vision of using the Internet to compete.

PROCESS

- We just did a strategic plan. We have a strategy team that meets monthly. We get together to try to talk about strategy but the conversation always reverts to a discussion of tactics. But at least once a year we get together to talk about the big picture.
- Long-term planning used to be buying a six-pack for the weekend – not any more.
- Long-term strategy is now less than 12 months.
- You must have a strategic business plan with moving targets that are constantly reviewed and changed as needed.
- We need to communicate to people (employees, customers) that our E-business strategy is a project in development.
- Time is required to develop an effective strategy to ensure that you are actually more efficient and that the new Web-based strategy is not just an add-on to your existing operations. The key to any strategy is to stay close to your customers and respond when your customers demand new solutions.

GLOBALIZATION

- Being global overnight is a challenge. Language barriers and different currencies create challenges.
- The challenge of global growth is often forgotten or not looked at when companies develop an E-business strategy.

GETTING HELP

- One of the problems is the barrage of information. How do you get to the relevant information in a competitive way?
- You need a community of people you trust and respect to help you sort everything out.

General tips

- *Feature a company video on your Website as a means of increasing credibility without giving away trade secrets.*
- *The amount of time needed to download the video must be taken into consideration.*
- *To improve customer service on your Website:*
 - *Provide a service manual for customers – it's a way of improving customer service and decreasing the number of troubleshooting personnel required.*
 - *Develop a customer chat room to improve communication with clients.*
- *Have links to and from your site to make customers' lives easier. This is feasible as long as there are security interfaces.*

CHAPTER 3

IMPLEMENTING E-BUSINESS

Implementing an E-business solution demands clear vision, sufficient money (it is not cheap), unwavering commitment and a lot of outside help. It is particularly important to find the right service providers — and they must respect your priorities, not theirs. The right solutions integrate legacy systems as well as focus on future opportunities. They must also be introduced with tight controls and communicated to all staff.

USING OUTSIDE HELP WISELY

- An outside host creates less hassle and costs less. It's the best way.
- We understand that it is not justifiable to have things done in-house. A small business does not have the economies of scale.
- Can you outsource management? If you do too much of it, you're asking for trouble.
- Whoever you get to help you collect the beer bottles, make sure they don't own the truck.
- To succeed, you have to be player-coach — get out on the ice and play some shifts. And that's true whether you are dealing with vegetables or computers.
- We asked ourselves, "What will the site look like in three years?" From that we developed the vision of the company. Our site is maintained by internal users, not "techno-wienies" who don't know our business.
- We've primarily gone with outsourcing. The biggest challenge with outsourcing is that the techies don't understand business processes. One brilliant mind designed a system that made it impossible to give a customer an estimate without taking an order. I don't know how to bridge the information gap. I want to know how to tell techies what I want.
- We were originally told that we either use the Internet as is and that's it, or don't use it. Then the consultants came along. We're now paying for something but it's not what we want.

"What is the key to E-business success?"

Participants gave these answers to the question:

- Core values.
- People, capitalization and ability to implement.
- Competitive intelligence.
- The back-end system doesn't show but it determines your success: a Web master, a system manager, a call centre.

BEYOND A WEB PAGE BROCHURE

- When you try to go past brochure-ware, you must be able to fulfil your clients' and customers' expectations and that's not a step to be taken lightly. To go beyond brochure-ware might not always be the best idea.
- You can use technology to manage that data layer and re-purpose that data to sell something new and different to your customers and clients.
- Our group concluded that although the E-business industry is moving quickly and away from traditional Websites, the brochure type of site needs to be revisited to really upgrade it with respect to message and content.

GETTING BROCHURE-WARE RIGHT

- The quality of brochure Websites out there is not particularly high and, as a medium, it's not particularly effective. People visit sites for information. Messages and good writing are important. We have concerns about products becoming "commoditized" and concerns that as you put up information on the Web, you further that process of being commoditized.
- What you might put on the Website depends on what value proposition you have. What do you describe if you are an engineering firm? Your sales people? You'd need to talk on the Website about your design philosophy to move people away from the bottom line.
- Language that you use and the image you create for yourself are important. How do you address yourself? You should pay attention to detail and the content of your site. Should you segregate areas and businesses by completed projects and post pictures of equipment in process? Should you have technical areas where people can go and get information to educate themselves?

FINDING THE RIGHT SERVICE PROVIDERS

- Be careful with the process you use to find partners to meet your needs. Find people with the right solution. Vendors have led me down the wrong path.
- "Server farms" are a way for small and medium-sized companies to access technology.
- Server farms house high-capacity servers and charge a monthly fee (similar to a utility) for companies to access their technology.
- There is a danger in entrusting an integral part of your business to a server farm.
- Assess the risks associated with potential downtime or bankruptcy of outside service providers before using their services.
- There are not many IT people in our organization; we need to know more about the technology to determine who are the best service providers, especially in a world where the IT vendors are all telling us which service providers are the best.
- Our company is now using a consultant who will lay out what technology we need to add to our business. I would recommend that you focus on the content rather than the technology – but every company should have at least one IT person who knows what is going on.

- My problem is that I have too many potential suppliers; there are too many IT providers knocking on the door.
- When you're dealing with service providers, check references.
- Turnover in the IT service industry is horrendous. Service and E-solution providers are here today, gone tomorrow.

FINDING THE RIGHT SYSTEMS

- The enterprise computer solution was not a fit for us.
- There are huge difficulties and problems in communication because of the different platforms available.
- The incompatibility of software makes doing business difficult.
- Standardization is needed.

Tips

- *Effect change swiftly.*
- *Leverage core strengths.*
- *Utilize technology to build business technology.*
- *Foster a new culture.*
- *Maintain focus and speed.*
- *Use the Internet to make your company efficient. Use collaboration to make your company effective. Collect intelligence to prepare sales people.*
- *Prepare salespeople to handle intelligence effectively.*

BUILDING SOLID FOUNDATIONS

- Back-end solutions are vital.
- Strategies have to be built on the back-end before you get into E-commerce.
- It may be useful to explore gradual steps toward an integrated Web presence. For instance, you may want to allow your customers to come in and look but place their orders in a traditional manner.

CONNECTING THE FOOD CHAIN

- You need to look at the chain you are a part of, identify your role and define what you want to improve. Do you want to increase demand for your product through marketing? Or improve customer communications? Or what?
- In the insurance industry, a key issue is the very fragmented market. There are 225 insurance companies. And all of our back-end suppliers are small businesses, for example, auto body shops.
- How can E-business operate in such a complex world? Larger companies may have the clout to get their business partners to deal with them online, but we don't.

DEALING WITH LEGACY SYSTEMS AND PEOPLE

- Old legacy products and methods usually provide the cash flow to be able to move forward into E-commerce and must not be pushed aside prematurely.
- Do not operate with two systems. Go all the way ASAP!
- Move in "Internet time" not regular time!

- We are using the phase-in approach and it is costing us.
- The longer it takes to switch culture, the worse it is and the more expensive it is.
- Older staff who are not computer savvy may feel left out of the new E-commerce push. These are the people who helped get you where you are and now they may not fit in. We must sponsor, encourage, and pay for staff to upgrade their skills, and get people and staff to think the Web.
- Change the people if they cannot adjust. This is cold and hard but must be done to survive.
- Don't give your employees the option of using or not using the Internet and Intranet. Make it a job requirement.
- For the transition to be fast and complete, you may have to make significant staff changes and concentrate on Web-centric employees rather than on retraining employees who are not Web-centric. How did we do it?
 - ✓ We were aggressive and proactive.
 - ✓ We created a new employment model, a new culture.
 - ✓ We used technology to our advantage:
 - Intranet in the company
 - Extranet with partners/clients
 - Internet with outside world.
- We have phased out legacy systems in favour of Web-based systems. We went to a central, paper-based filing system a few years ago. Now we have gone to a central electronic filing system and the employees are designing it. The benefit lies in sharing the information. There is a tiered security system, but all customer information is shared.

FINANCING

INVESTING IN THE UNKNOWN

- The cost of technology is enormous – you buy something and in a month it's gone or it's obsolete or something better comes along. So imagine yourself in the middle of the ocean, in a sailboat, and the wind is changing every 10 seconds. How can you pitch the sails and get going? Basically, in a perfect world, you want to have the competence to make decisions: it used to be you could buy machines that would work for 15 years and you could pay for them 100 times over. That certainty has gone. You buy technology now and you may never pay for it.

BANKS AND VENTURE CAPITAL (VCs)

- It is expensive to upgrade hardware and software, to train your people, etc. It's best to pay for it from retained earnings, or an injection of debt or equity – but it has to be done, or you die a slow death, or in some cases, a fast death.
- You need to think of E-business systems as a business expense – not a capital investment. Banks won't lend for these kinds of investments, so expense it against operating revenues.
- Just expense it because you don't know when it is going to pay off, but I don't think this is a very good strategy.

- There are things in life you can't plan. Think of 3M taking 10 per cent of its R&D staff to "play." Post-it Notes came out of that.
- Newbridge does that too, and when they discover something that has wider applications, they spin it out as a new company.
- Banks can't even see this as a capital expense – it's hard for them to justify financing it. VCs finance intangible investments, such as market development and product development. However, the difference between banks and VCs will become blurred.
- VCs aren't very interested in our businesses – and the lack of financing from traditional bankers holds back the transition to E-business.
- The way to do it is to build a full E-business piece and then get VCs to finance that.
- How do you approach the market? What is the actual mind-set of VCs in Canada? Are they really bankers or are they actual venture capitalists?
- The process always takes longer than you think it's going to take. Often, you read articles in magazines that say somebody raised one million dollars based on a paper-napkin discussion, but the harsh reality is, it usually takes longer than that. The typical delay seems to be six to nine months; this is probably not an unrealistic timetable.

THERE'S MORE THAN ONE WAY TO RAISE CAPITAL

- Rather than just approaching the source directly, you can take other avenues – whether that's going through legal counsel or some other service provider. There are a lot of different types of capital out there that are available, not just venture capital. There is strategic capital, there's also capital from professional services in exchange for equity.

MANAGING CHANGE

IS THIS FAST ENOUGH?

- The Internet is letting everyone have access to all this information and it's constantly changing. So what we find is that it's hard to keep on top of what our customers and suppliers want.
- Someone said that when Mario Andretti is feeling comfortable, then he's not going fast enough. You have to condition yourself to the fast pace. It's become a narcotic and I know not to fight it.

CAN YOU CONTROL IT?

- CEOs want to have control. Historically, when we use outsourcing, we get a deliverable on time. We get an architect to design a building and we can look at the plans. With IT, it's changing and the deliverables are intangible. It's going to improve things for us but we don't quite know how.
- IT is a mystery – a black hole.
- Set up processes to control. Keep discipline. Keep records of time spent on R&D, so you know when to put an end to something.

- If we want an IT strategy, we don't know what's available. But we want it now. It's like having a child – we have to take what we get.
- A child goes through stages: baby, teen, university student. Shouldn't we be breaking it down into stages? And then managing the stages?
- However hard we try to prepare ourselves and plan for change, my experience is that the vast amount of change we experience is forced upon us from customers. I can either cope with the change, or not cope. So I choose to cope.
- We must decide which changes we'll make. It's our job to decide what to deal with and what to ignore.

MANAGING EXPECTATIONS

- There are changing expectations from the customer and you also see it in-house.
- We've all bought into a marketing dream about technology and the Internet. It's a dream that says whatever you want it to do, it can do. Our programmers say an application can be done, so I sell it. Then the programmers get mad, because they then say it can only be done over a number of months and it'll cost so much. And I've given my customers these expectations. To expect perfection in the Internet space is impossible.
- Time is an issue. I expect my team to come up with ideas. But keep in mind that time is an issue for them, too.

THERE'S A GOLD MINE OF INFORMATION OUT THERE

- Information management is important – from customer relationships to internal relationships. We use discussion groups through Lotus Notes. But I still have trouble getting the information I need.
- A remarkable thing about kiosks and Websites in public places is that people fill in all of the information for you. Remarkably, this information is already organized in fields and people are willing to complete the form for you if they are properly induced.
- Surveying is an art form. It's an opportunity to get more and richer information on customers by using technologies. We use the information to feature promotions and list things happening on our Website, in our publications, etc. We also use it to develop new advertisements.
- What I see is that we've gathered information that we've never looked at. Response forms are an example. In terms of how we use this, we are awful.

COMMUNICATING THE VISION

- Make sure that everyone knows your values, so that while you yourself are not hiring every new person, the person who is doing the hiring knows what you want.
- I have a PowerPoint presentation that I show every new employee. It is a formal presentation, and then the appropriate department head follows up with more specific information. But I think it's important to show them my vision.
- Every new employee gets an E-mail from the president welcoming them and setting up an appointment to meet with me.

- I send information out on E-mail, but miscommunication still happens; employees need to know that we're not so subtle as to have hidden messages!
- I like the approach of sending out an update to employees every day on voice mail. It shows strong management support – but can be dangerous if you can't see faces reacting or the mute button pressed.
- We found that when we expanded from one to two floors, it made a huge difference in our culture.
- You need a strong corporate culture and you need to communicate it to everyone in the company.
- Make sure you can walk the talk.
- Sometimes we forget how much information gets shared over cubicle walls and office doorways, although you still need more formal processes.
- We hold a "Breakfast with the Boss" once a month at 7:30 a.m. Anyone can come in for coffee and doughnuts. I also walk around a lot.

Key topics among CEOs

- *CEOs are bombarded by E-service providers and they need to have someone on staff who understands both what they are saying and what the company needs. This is very important.*
- *Service providers tend to sell you what they already have and that's not always a fit with what your company needs.*
- *We will not do business with a start-up service provider and will only use those who meet our own company's values.*

The Business Exchange Meeting Scheduler

The Business Exchange Meeting Scheduler is a feature of the Wisdom Exchange developed by the Ministry of Economic Development and Trade that enables CEOs to prearrange one-on-one meetings online with each other and corporate sponsors' experts in advance of the Wisdom Exchange.

When the Business Exchange Meeting Scheduler was introduced in 1999, CEOs booked 77 one-on-one meetings. At Wisdom Exchange 2000, CEOs reviewed the profiles of registered attendees and booked 144 one-on-one meetings.

CEOs have rated the Exchange Meeting Scheduler a "very important benefit of the Wisdom Exchange."

CHAPTER 4

MANAGING CUSTOMERS

Not everyone is finding that E-commerce meets their needs for sales revenue and customer relationships. For many the traditional approaches are still necessary, for others, the Internet provides a powerful boost to their sales efficiency. In order to be effective, companies that launch themselves into E-business must be clear about what they want out of it and what their stakeholders want, too. In the final analysis, E-business is about customer relationships, which includes — but is not limited to — sales.

IT WORKS FOR SOME, NOT FOR ALL

- How can we get people who go to our Websites to contact us? We get lots of hits. I just wish someone would call us.
- We used information technology from the beginning but quite honestly, I can't think of a sale that came to us and wasn't word of mouth. I'm interested in E-business but we get our business sitting down and developing a relationship.
- In our case we don't have any business in Canada. We are an engineering company. Typically we have about 40 per cent of our employees overseas. The Website is used as a marketing tool for actually communicating.
- Not all customers are ready for E-payment. They like to stretch out the payments. They're getting free financing and they like that a lot. It's hard to know how the value chain can work.

Tips

Know what you want:

- *For the E-side of relationships, figure out what your focus is. Are you trying to take an order? Perform a transaction? Or is the site going to lead visitors to place an order?*
- *Before you design your Internet strategy, define your objectives, decide on your focus, decide what your customers need (information on order or order status, placing an order) and decide who is responsible for customer support.*
- *Commit to customers and ensure that you perform — even if it is a loss-leader sometimes.*

CAN THE WEB CREATE A DESIRE — OR JUST SERVICE AN ORDER?

- How do you generate sales online without actually selling online? Is selling on the Internet simply order-taking? Will it replace the human touch? I'm thinking of the human element of up-selling, for example.
- Up-selling can be done online. The next wave will be a little camera above the computer so they can see you. It's the phone of the future.

- One of the first things I want my sales reps to do is get that customer on the phone. Why? Let's say a customer is ordering a \$50 part over the Net. It could be related to a \$100,000 problem. The Net will never diagnose the full problem and hopefully a good salesperson will.
- You want repeat customers. A car is an example. Car dealerships are not making their money on car sales. The business of the car dealership is service, and in order to get a repeat result, it's all about personal contact. I don't know if you can achieve that on the Internet.
- When you need a book, you can go online and the Web is perfect for order-taking or researching and finding the type of book you need. Nobody is selling you anything. Selling is about creating a desire. When I walk into a bookstore and I see an array of magazines, it creates a desire.
- I disagree that the Web cannot create that desire.
- Most people have analog watches and we say why? Is it fashion? An analog gives you much more detail than a digital watch. It's a more human thing when we do our mental processing. We have to take into account how the lifestyles play out here.
- Sears is direct-marketing via E-mail. I believe the results are that after viewing the Website, of those who bought, 60 per cent drove to the store to buy; 40 per cent bought online. You must combine the two and not exclude either one.
- We are in the business of selling used computer equipment. We've conditioned our customers over 15 years to phone us. What we found when we started to use our Website was that it became so complex to automate requests for custom orders and deliveries, it couldn't deal with all the variables. Customers phone us because they want custom orders. Now our Website is a brochure and customers still phone us.

CONVENIENCE

- Everyone is busy. Anything that saves time becomes of interest.
- It's like voice mail used to be. In the early '80s, I helped develop voice mail for Northern Telecom. Seventy per cent of communication was actually one-way and it was a pretty hard sell in the early '80s. Now when I call a customer and get a busy signal, I'm very surprised. Where is their voice mail? I'm glad when people have voice mail when I call, so I can communicate.
- There are times when I make an active choice that it's more appropriate to use voice mail, such as calling before 8:00 a.m. And I'm more likely to E-mail them beforehand. There's no cost to E-mail.
- That's an interesting point. I haven't thought about how much telecommunications cost, although our expenses have gone up. Of course, now we're paying for ISPs, six telephone lines, fax machines, etc.
- It is very expensive to keep in touch with customers. Having a Website for each project will cut costs.
- The remote monitoring of equipment is something that the Internet has made possible for companies such as engineering companies and high-tech businesses.

- I don't want to use the Internet for the sales side. I want to use it as an educational tool so customers know the benefits of our products. Our people are geographically separated, so how do we connect them? You can't fly people in every week.

CUSTOMER RELATIONSHIPS

WHAT'S IN IT FOR THE CUSTOMER?

- The value to customers is that of saving time and raising productivity.
- You can put up a Web page only customers can access. It gives the customer added value.
- I want things to be better for the customer, not just better for my business.
- The banks are a good example. They have moved to more customer self-service. They substantially reduced their costs and risk, and the customers are happier.
- The banks have also made the channels seamless. I started my mortgage application on the Internet, dealt with someone at the call centre, finished the application with my bank manager, and had it approved by E-mail.
- The insurance industry is facing a similar challenge. At times, customers want to talk to you, at other times they want to deal with you over the Internet.
- Consumers want the same answer, no matter how they are dealing with your company.
- If all you are doing is adding a new front end using Internet like the telephone, you are not doing enough.
- The Internet makes things faster and better for the company. Why would the customer choose a method that is only better for the company?
- In the end the customer will be the one to tell you if you are doing it right.

WHAT'S IN IT FOR YOU?

- You can discover your customer's problems through online chat rooms. You won't replace the face-to-face meetings and the phone calls you have with your customers, but you may get different information.
- Internet is a tool, not an engine. We could survive without it, but how big would we be?
- The key is to pick the right customers. The Internet increases your reach and helps find the right customer.
- By enabling a 360-degree view of the customer, it is possible to better identify who we make money from and better tailor services to that customer. As well, it enables you to eliminate or at least shift your focus from poor customers.
- We make money on some of our customers, we lose money on some; we can fire customers, we can customize for them and know what customers we want to treat better.
- On the Internet, a customer can click an option to obtain a faster service call on a problem – and agree to pay more. If that same customer calls, they won't agree to pay more for a faster service call, but will try to get me to do their work faster.

- We use the Web to figure out mistakes faster – Web-marketing is better than the slow process of traditional marketing. I can launch a new campaign and know within ten minutes whether it is working or not.

WHEN A “HIT” IS NOT A SALE

- Even though we put information on our Website, people still have questions. Our product is expensive (exotic trips) so people have lots of questions. We were getting 800 enquiries a month. Now it's 800 a day on the Website! And only five percent might actually book a trip. The next business I go into will be mainstream and will not be niche marketing!
- You need to qualify enquiries, conduct some triage (prioritizing a large number of requests for attention), create a concierge service, have people pay \$25 for a virtual guide. Give them an appointment with a guide to answer all of their questions. Refund the \$25 if they book a trip.

THE END OF THE MASS MARKET

- Fifty years ago the word “customer” meant a mass market. Today it means an individual.
- Customers need to see the unique value for them.
- Customers are king on the Internet. For example they:
 - ✓ Can check the status of their order online.
 - ✓ Have Internet access 24/7.
 - ✓ Have links with suppliers.
 - ✓ Can do their design work in collaboration instead of in a vacuum – and the flow will be natural.
- We have a client that sells boxes and we helped him to design a Website where customers could design their own box – and then the company would send a quote back electronically for that unique box.
- We created a small staging area on our Website to recognize key clients of the company. These are in a secure area, open only to the various key clients. This way the clients recognize themselves and feel more comfortable on the Web.
- On our Websites we try to do everything that makes a visitor comfortable – to give them a reason to come back. It is easier to retain a customer and get them to come back than to try and attract a new visitor. Website comfort for the visitor is increased through personalization; as you learn more about the customer, you can personalize more and more. I always recommend that Websites be developed to welcome back the visitor – to remember the last visit and what was required and to show the visitor that they are remembered.
- We understood from an order we got that they had a newborn, so we gave them bonus offers and we customized their next order with family items. They liked that.

CUSTOMER READINESS

- My customers do not want to hear about their problems from me because they have their own problem solvers. Sometimes it takes customers time to recognize their own problems even though we see them long before they do. You have to stand back and watch them in pain and be there when they finally complain about it.
- We find that it's our smaller customers who know what they want and are driving our technology. The larger customers are still living in the 1970s and have limited technology capabilities.
- The larger builders find it harder to move at the speed of light.
- The smaller companies don't have the legacy systems that the larger companies do.

IDENTIFYING CUSTOMERS' NEEDS

- How do you deal with learning what the customers want? Has anyone had any experience with focus groups?
- Not all small companies can bring their customers together for focus groups.
- Consider a seminar instead of a focus group. You probably have suppliers who may have the same customers. We're in the greenhouse business and energy costs are a big problem. So we put something together with a gas company who are also dealing with energy costs.
- We've got 24 salespeople who visit customers and do a needs analysis. But it's not feasible for all small businesses. I've got surveys on my desk and I don't know how old they are or when I will be able to get to them.
- People still want to talk.

Tips

- *Know your customers.*
- *Offer solutions to customers' problems.*
If you give customers what they need and want, you will keep them longer.
- *Strive for Website "stickiness" — the ability to get a customer back or to bookmark the site.*
- *Exceed customers' expectations and surpass your competitors.*

A NEW WORLD OF INTERACTION

- In the past customers met only with salespeople. Now, customers meet with more of your company's employees:
 - ✓ Designers visit the plant.
 - ✓ Customers have plant tours so the whole team needs to be customer-focused.
 - ✓ The CEO meets with more customers.
- The Internet allows us to be more interactive with our customers.
- Customers are pulling information rather than being pushed by information. Soon, you'll design your own car, dishwasher, house on someone's Website.
- The Internet enriches the relationship with customers at many touch points.
- Give people an incentive to register on your Website and offer them rewards. They'll tell you what you need to know.

- The relationship with customers is what counts, not necessarily the price.
- The Internet is not about selling products, but about deepening relationships. The best site solves problems, even simple problems.
- Nobody talks to their customers enough. You can use technology to talk to customers and listen to clients.
- It's all about relationships and recognizing who you are selling to, what your channel is. And it's not just that – it's your employees, your sellers. You have to think about what *your* company will be doing over the next years.
- Who do customers talk to? Do they talk to somebody or to a tech support button? How do you service that relationship? You have to understand the life cycle of that relationship. Think about how the Web will help you through the whole life cycle.
- How do you define a customer's lifetime? In my industry, it is three years.
- In the consumer industry, the customer's lifetime is cradle to grave.
- The value proposition involves high-touch and deep and sensitive relationships with customers. When the employee providing the high-touch relationship leaves the firm, there is tension because you can't step back from the high-touch relationship. You need to rebuild and maintain relationships with clients. High-touch services are more effective if they are provided with infrastructure or when the client has greater access to services.
- Major relationships with customers are not found on the Web but are maintained there. The Website is less a source of net new business – rather, it is a relationship enhancer.

BUYING A CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SYSTEM

- Customer relationship management is not new. However, the use of the Internet provides new ways of establishing customer relationships. All client contacts can be managed in a coordinated way no matter where the contact is made. This benefits both the business itself and its customers.
- Improving customer relationship management is not a technology initiative but rather a management project. From a corporate culture standpoint, it is key to address the buy-in to CRM. For instance, it is essential to a CRM project to undertake a cultural readiness assessment. CRM is primarily a company-wide project that brings all the existing silos together to provide an overview of key customer relationships.

Tips

The three principal success factors for CRM are:

- *Senior management commitment.*
- *A strong internal champion (a vendor can not do this).*
- *The need to replace old CRM systems by the new integrated approach.*

- While CRM is not a technology initiative, managing the technological aspect is important. There is not one vendor who has all the solutions. So, the integration of existing and new technologies within a realistic price range is crucial. There are, however, interesting new application service provider offerings. For example, salesforce.com provides a Web-based CRM service that is adaptable to a number of company requirements.
- Some people use ACT or Maximizer for their CRM system and they can progress to a fully integrated system.
- The key is assigning the right person to the project.
- Belief in the system must start at the top.
- I heard of one company that adopted a system that was customized to their needs, and it virtually shut down the company for six months.
- I have researched CRM systems and expect to spend 10 per cent of our sales revenues on a system.
- Everyone has horror stories about integrating systems.
- You need real buy-in from those responsible for implementation, otherwise the system is doomed to failure.
- The best expert comes into your business, spends significant time learning your business and understanding your needs. When buying systems, "quick and dirty" is exactly that. It was suggested that bringing your CRM supplier to your major customers and suppliers would reap significant benefits to the system design. It is not easy to give up your own time and pay someone to learn your business so that you can buy their system, but it's absolutely necessary.
- There is certainly a feeling of "caveat emptor" about purchasing CRM systems and finding ethical suppliers for any E-business system. Once you have an implementation failure, your people are doubly resistant to the next step.



The Innovators Alliance is a member-based, not-for-profit organization of CEOs of growth-oriented firms across all sectors. Local peer groups meet monthly to share experience in accelerating and sustaining high growth.

The Innovators Alliance hosted an open house at Wisdom Exchange 2000. With the support of corporate sponsors, the Innovators Alliance has enjoyed steady growth and now has over 160 members. To find out how you can join, visit Innovators Alliance website at

www.innovators.org

CHAPTER 5

MARKETING

The key to maximizing the advantages of E-business lies in attracting a sufficient number of the right kind of people to your Website and then giving them real value, so that they look to you for answers. Two of the techniques for this are viral marketing and permission-based E-mail. Because there is so much spam today, E-mail will not be effective unless it is relevant, personalized and timely.

PROSPECTING

DRAWING PEOPLE TO YOUR WEBSITE

- How do you draw people to your site? And do you really want to draw more people?
- This is a key issue for both business-to-consumer and business-to-business transactions. There are over three billion Websites and every day 3,000 more are added.
- A Website is essentially passive. They find you. How do you reach out more effectively to prospects through the Internet?
- With the Internet, the customer is more in control. What do customers want? How can we engage them? We have added links and services, even links to community groups, health information, safety information.
- We put up a Website and lo and behold, a customer we didn't know about came to our door.

MAKING SURE YOU'RE GETTING THE RIGHT PEOPLE

- How do you handle too much traffic? How do you handle not getting the traffic you want?
- If you are focusing on a narrow geographic area, then there's no point in going on the Internet because you're targeting a specific market.
- Given that you are properly listed with all of the search engines – which is challenging enough in itself – visitors may intentionally search for your company. If they enter a word like "kiosk," they are fishing. Those who are fishing are usually a waste of our time. There are too many other sites with the same key words.
- Don't play the search-engine game to get noticed. You need to get your address in front of the end buyer.
- To get the traffic you want, build a filter. As an example, ask for postal codes to filter out customers you can't serve. If you can't serve them, give them a referral to another company that can. This routes good prospects to you.
- Put your URL in your postings. People who are looking will start to look to you for answers. Whether it's effective depends on who's looking and on your answers.

PUT RESOURCES WHERE THEY MAKE A DIFFERENCE

- In traditional marketing, a lot of resources go into funnelling and targeting the right people. The next step is to make your brochures slick. On the Website, you spend a lot on animation and beautiful banners but you don't necessarily spend enough time getting it to the right people.
- Banner advertising and other types of Internet advertising that were popular a few years ago don't necessarily work now and do not produce significant enough results for the cost involved.

MARKET RESEARCH THROUGH NEWS GROUPS

- Searching news groups is a great market research tool. Search engine groups like Copernic originate from your system and go through a dozen other search engines. Search to see if any news groups have mentioned your products in the last 18 months by keying in some of your brand names. You can even go as far as profiling customers and find out what other things they subscribe to, and so forth. Your news groups live forever.
- Don't think Web, think news groups, which is Web-based E-mail.

PERMISSION-BASED E-MAIL AND "VIRAL" MARKETING

- A new and very effective approach is permission based E-mail. Studies suggest that an E-mail advertisement receives a 50 per cent click rate (50 per cent of visitors click on it). Individuals give explicit or implicit permission for E-mail advertising and companies are able to provide customized E-mail to address the needs of specific firms or individuals.
- Another new approach is "viral marketing" (passing on electronic messages). Through word of mouth, it is possible to create significant responses to new Internet services. For instance, Napster has attained a 30 per cent penetration of all Web-ready computers and ICQ has achieved over 70 million users in one year. All of this response was achieved with viral marketing through E-mail, which makes it possible to create market share without spending money.
- Rich-text-based E-mail is like sending your Website directly to your prospective customer.

ADVERTISING

- Many firms are using technology to drive increased use of their products. For example, Ragu uses the Internet to post recipes that require their pasta sauce. You can't taste it on the Internet. However, you can access recipes, look at the variety of products and see prepared foods that look appetizing.
- Are advertisers shifting their focus from the more traditional ways of advertising to go to the Internet?
- We do a little bit of both. We advertise in magazines and use the Internet. They see us in the magazine and then the ad says to go to the Website for more information. It's not an either/or. You've got to spend the money in both places.
- Then you end up spending more money in two places.

- It's been the question of businesses for over 150 years. Is marketing or advertising giving me the bang for the buck? It's a very difficult thing to measure. The hard one is, if I did or didn't put up a billboard, would I have got the same results?

THE POWER OF E-MAIL

- Look at how the Internet has changed the way people interact. Communication has changed: there's more of it. People are receiving more E-mails, those E-mails are being copied, cc'd and replicated. There is an overwhelming amount of information and it makes a difference how you deal with that and what processes you put in place.
- The average person visits five Websites a day. Ninety per cent are sending E-mail. Build a relationship via E-mail and you can own a customer.
- One person today influences eight others because of E-mail. And the beauty is that the message can be forwarded. With an E-mail, we can tell when they read it, how long they looked at it, how many people they sent it to. You don't have that measurability in traditional advertising. The key benefit is measurability.
- With some customers we break even or even lose money. Now we can focus on treating everyone differently rather than exactly the same: we can customize the message.
- You can generate a sense of community with your group using E-mail-based mailing lists and create a community amongst your customers by brokering the relationship.

E-MAIL AS A MARKETING STRATEGY

- Response to traditional advertising methods is at an all-time low. It is all about E-mail, not about the Web.
- E-mail must be relevant, personalized and timely.
- We did a promotion for a big store – we asked people to go to the Website and select the appliance they wished to win; we now know the preferences of 70,000 people. We also use refer-a-friend programs; people will open an E-mail from a friend.
- We did a promo for Backstreet Boys – we sent E-mail to 13-year-old girls and they sent it on to their 13-year-old girlfriends.
- Ten years ago, one person influenced two; now through E-mail, one person influences eight.

CHAPTER 6

HUMAN RESOURCES

When the business model is changing it is more important than ever to reinforce company values when hiring new employees. Often the company's Website can be used in the hiring process. CEOs today are very aware of the need for good communication, empowerment and making the work enjoyable for employees. They are also aware of the need to let people go who do not fit in and provide extensive training.

SHOULD YOU CONTROL EMPLOYEES' ACCESS TO THE INTERNET?

- We are on the right track strategically with technology. However, in my company, we don't provide universal Internet and Website access. My concern has always been that people may waste time. It's important to walk the walk and talk the talk. I've heard that my employees are job hunting on the Net half the day. I don't want my employees cyber-slacking all day, paying their bills, shopping for birthday presents on company time.
- I've heard that employees waste in the hundreds of millions of dollars on the Internet in Canada.
- You have to set rules and regulations but you also must give your employees some freedom. The Internet is a very powerful tool for research, so if employees are not given access to the Internet, it could have a negative impact on their job performance. You have to invest in the future of your employees and the company.
- There's no loyalty today anyway.
- We have a single stand-alone machine per team. It creates discipline, so that people use it only for a reason.
- It's important to have clear objectives and timelines for use of the Internet. It isn't access to the Internet but access to information that's important. And the information that my staff find on the Internet is very important.
- My marketers do full-time research on what my competitors are doing through the Internet.
- If every company in this room is really high growth, how much damage could people really be doing spending time on the Net?
- It's not damage, really. We have an IT person who is good at her job and she can tell how long a person might be spending in a chat room or whatever. It depends on the system and how you can monitor it. As soon as you have access, you have to be able to monitor it. There are busy people who don't have time to go on it. It's about self-policing and motivating your employees. If you have the right organization, motivation and employees, it's not a big problem. Our business is about the people we deal with and it's almost like network marketing. The Website will mean you do your business differently and faster.

- There are companies out there that actually encourage their employees to play on the Internet. My wife gets on the Internet at night and she will find things in seconds while I will waste 45 minutes. People who engage technology will become the techies. By cutting them off, you may be doing them an injustice.
- I give my staff personal leave so people don't have to lie. There's been less absenteeism. If you have these types of relationships with employees, they won't lie and they will go online over lunch or whatever. Ninety-five percent will work within the culture of the organization.
- There is no doubt when you add Internet availability to PCs, staff will surf, use time, download songs and so on, but this will stop or decrease over time and it is possible to have rules and block out sites. People have a job to do and at the end of the day it has to be done, so they will not play on the Web forever.

HIRING AND VALUES

CHALLENGE #1

- Our biggest challenge is human resources. When it comes to hiring, we have to pay a greater premium than larger firms do. The issue is how to attract people who can help grow the business without breaking the bank.
- The people who are well rounded as well as technical are in very high demand. If we want to reduce the hiring challenge, we have to develop people like this.
- I used to think I could do it all. But now I know it's cheaper to bring someone in to tackle some of the challenges.
- Select carefully: bad employees can chase out the good employees.

EMPLOYEE ATTITUDES

- We can't have a thousand Michelangelos out there. What's on their résumé doesn't cut it. It's their attitude.
- We use retired and semi-retired people. It takes trust; they have to trust you. And they have to want to be there.
- I used to work for my father. He's retired now. And he now works for us.
- Hire for attitude and train for skill.
- I sell and recycle old computers and I'm currently looking for sales staff because I have been losing staff to other opportunities. I find that those who are not from a computer background have more loyalty than those who are. I have a former baker who is now my best computer salesperson.

HIRING TECHNIQUES

- We hire 70 per cent of our people using external recruitment agencies; in Ottawa's high-tech sector, a culture of hiring away from the competition is developing.

- On a \$1,000 job ad in the newspapers, I get up to 10 calls. So now we go directly to colleges and high schools to recruit.
- When I hire, I put a big ad in a major newspaper and put smaller ads in other categories on the same day which refer to the big ad.
- Don't use the newspapers for recruiting.
- In our group, about half the CEOs have a recruitment component on their Website.
- Putting a career link on your Website is not much use. The best way to go is to promote your Website with actual recruiters – put an ad or link on the recruiters' sites that goes to your Website.
- Some large corporations are good at staging events that draw out the engineers they wish to hire.

However, this sometimes backfires, because the new hire could be sitting beside someone who has been there longer and getting 50 per cent more money. This creates dissatisfaction in the workforce.

- I poached my first three employees from other firms. Of the three, I lost two within 18 months to better salaries. Only one stayed, another came back later and we hired him.
- We offer a \$10,000 bonus to staff who make a referral that leads to a hire. We also offer tickets to hockey games, etc. We hire lots of people – and recruiting is not the problem. Retention is the problem. That's where the focus should be.

HOLDING ON TO GOOD STAFF

- I run a greenhouse business. It's not a glamour job. The disadvantage we have is a cultural thing. If there's anyone in our company who is good, the head-hunters are out there and there's always someone who is going to value that person more than you do.
- What it comes down to is that you can't keep someone who doesn't want to stay. It comes down to having the right culture so they will want to stay.

Tips to instill company values

- *Employees must feel like they are part of the organization in addition to being paid the right amount of dollars.*
- *The values of the company must be instilled throughout the company.*
- *The culture of the company must be instilled from top to bottom.*
- *Tell employees the company history.*
- *Any conflict between employee and company values must be identified.*
- *Communicate the vision to all employees. Include all employees. The word spreads.*
- *Your vision statement must include what values go with E-commerce.*
- *You must have internal leadership and vision. Do not just hire an outside consultant. It must come from within.*

Communication tips

- *Talk to and listen to employees.*
- *Follow up after listening.*
- *Use an Intranet to share information between departments and employees – train employees to use the Intranet effectively.*
- *Focus on informal, honest communications.*

- They have to feel they're developing or you won't keep the talent.
- We hire 40 employees to keep 19.
- Are these 19 all good employees?
- Maybe nine will be good – the rest are just OK.

EMPOWERMENT

- The only way we have found to keep people is to empower them. As long as you're comfortable with them within the confines of their job, let them make the decisions.
- You need to let people be in charge of a product line; it is like having their own business within your business. You can't know everything about our businesses. But you can't stop being in charge of the larger business.
- Everyone in our organization is encouraged to be an "intrapreneur." We encourage them to set it up in the organization rather than having them leave. And if someone still wants to leave to start up their own business, we ask that they consider us as an investor. We've got three spin-offs this way. It's worked out well.

RECOGNITION

- Initiative and ideas should be recognized; highlight them in the newsletter.
- Borrow and adapt ideas from other companies; there's nothing wrong with that.
- Pay compliments and say *thank you*.
- People appreciate being appreciated.
- Be careful of rewards – don't set a precedent you can't maintain.
- Small unplanned rewards are better than big grandly-planned incentives.

MAKING THE WORKPLACE FUN

- People should not be working overtime to accomplish their day-to-day activities – overtime is for extra initiatives.
- The basic principle is to treat people with trust and respect.
- The personal touch is appreciated by employees.
- Organize activities such as a BBQ or Halloween competitions.
- Take employees out for lunch on their start-date anniversary.
- Add some fun to the workplace.
- The best way to get loyalty in today's world – especially among younger employees – is by allowing and encouraging friendships to develop amongst staff.

COMPETING OFFERS

- What do you do when an employee comes in to show you a better offer? Do you sweeten your own pot or let them go?
- It is a good idea to sweeten the pot.
- Yes, but it has to be a fair request.

- I put a non-compete clause in my contracts – this helps retain employees. I've had this happen: the company had a hard time sweetening the pot for a person but was saved, since it had non-compete agreements in its contracts.
- You can't enforce a non-compete agreement.

POOR PERFORMERS

- In my company, when an employee is underperforming, I am sometimes asked why I don't get rid of him. But I don't. I would rather work with the employee and try to bring him along. I find it is best to keep employees because they are so hard to replace.
- Hire slowly – fire quickly!
- I have one employee who is not very productive. She comes late and leaves early, but she does a good job when she bothers to be there.
- I know that in her case, I am living with mediocrity, but I don't want to get into recruitment mode. I know I should get rid of her – but I haven't.
- I still fire the weak guys, even though I know they will likely just go to the competition and get a raise and pull their friends with them.
- I also had the experience of letting an employee go and then seeing him get in with my competition and try to pull out his friends from my company to join him.

TRAINING

MAKE IT PART OF THE CULTURE

- Training is to employees as oil is to machinery – if you don't do it, they will break down.
- Involve employees in the training – delegate researching and organizing the training to employees.
- When you promote someone to supervisor, he often lacks managerial experience and will need training.

MENTORING

- We created a database system to help train our engineers, but we found our young people didn't use it. They felt more comfortable simply picking the brains of the older engineers. Valuable internal data sometimes can't be contained in systems.
- The mentoring process helps people understand all the business rules you never write down.

TIME AND MONEY FOR TRAINING

- Time for training is always an issue.
- Will employees take their own time to undertake training? Not always.
- In tough times, it is difficult to find dollars for training.
- The cost of training is dollars plus time spent.
- Internet-based training is time-efficient.

CHAPTER 7

THE VIEW FROM THE TOP

In the plenary session of Wisdom Exchange 2000, some dominant themes associated with E-business were discussed by the CEOs of four Canadian corporations that are major players in E-business: Paul Tsaparis, President and CEO, Hewlett-Packard Canada; Frank Clegg, President, Microsoft Canada; Scott Corrigan, President, United Parcel Service Canada; John Wetmore, President and CEO, IBM Canada. David Ticoll, Managing Partner and CEO, Digital 4Sight, took on the role of moderator. This chapter highlights the panel's discussion of priorities and insights.

THE CEO'S TOP PRIORITIES

David Ticoll

Life for CEOs of growth firms has never been more hectic. It just seems to get more and more crazy as time goes on. But at the same time, things are good. Just meeting customer demand and responding to opportunities that are out there is a big enough challenge because there is so much to capitalize on. But what are the implications of responding to hypergrowth opportunities? What are the consequences of failing to think about going down other paths or taking on new kinds of initiatives? What's the one area that deserves the most attention from CEOs?

REINVENT YOURSELF CONTINUALLY

Paul Tsaparis

A lot of very successful, small, fast-growing businesses never have enough time to do all the things they need to be doing. There is a need to be able to adapt continually, which we at HP call "being able to reinvent yourself" – being able to adapt continually to significant changes in the marketplace. All successful companies have over the years had the ability to respond to external forces and make changes that needed to be made within their organizations. Today, it is undeniable that the Internet has significantly changed the playing field for all businesses, both large and small.

It has significantly changed the cost structure in some cases, from a delivery standpoint. In other cases, it has provided unprecedented access to local and global markets for businesses of all sizes. So the failure to recognize the potential of improving your own internal business processes and the way you connect with the outside world may be very detrimental. If you don't have a culture of continuous learning and adapting, and of changing your business models, the opportunity that lies ahead of you is going to be missed.

Frank Clegg

I'd encourage you to build an organizational chart three or four years ahead of time – which means at least two to three times as many people in the organization – and ask yourself:

- Have you got the right players in those spots?
- What are you doing to help them grow individually so that they can manage a business two to three times what it is today?
- Have you made the key investments in them and their development?
- What are you doing to personally grow in order to be able to manage a group of individuals that's two to three times the present size?

"Sometimes the people you're working with can't scale up."

I think there are a lot of other things you have to worry about, but in my experience, the small businesses that don't make it to that next tier, don't succeed in acquiring the different set of skills that you have to have in order to manage that. Sometimes you have to make the hard decision that those people whom you're working with can't scale up and attain the next level, and you have to bring in somebody above them in the organization. Assuming you're going to continue with this growth, I'd really encourage you to consider these questions:

- What does my team look like?
- I'm a \$10-million business today, which is going to be a \$50-million business, or a \$100-million business, do I have the right players in each of the groups?

It's hard because these are people who have started with you. And they've been there during the hard times and the growth times. And yet you've got to make the hard choices and maybe they're not going to be the ones to take you through the next three or four years.

FOCUS ON CORE COMPETENCIES

Scott Corrigan

The casualties of today's fast pace are the small and medium size businesses that try to be too many things to too many people. They don't take advantage of the opportunities to partner with companies that have the skills needed and instead try to build the skills in-house. Seek out strategic partnerships with your suppliers and customers. You will be able to grow with less risk and will not get too far away from your core competencies.

"Take advantage of opportunities to partner with people who have the skills that you need, so you don't have to build the skills in-house."

Our company was perceived to be a package delivery company for years and then it was perceived to be a delivery or trucking company with technology. Now, we're perceived as a technology company with trucks. We've transformed ourselves to take advantage of a lot of what's going on in the industry today. A lot of things we are involved in aren't our core

competency. Picking up packages is our core competency. Our slogan is, "Sustain the core, create the future. To do this, we partner with companies that do things we're not experts in.

The real challenge is to decide which things you're going to get into, and which things you do not need to get into. Information Technology was something we had to get into in a big way. Customers now perceive the information related to a package to be more important than the delivery of the goods because it allows them to improve their bottom line. So it was important for us to get into Information Technology, but we partner with hundreds of technology companies to help deliver solutions to the customer.

MANAGE YOUR CASH

John Wetmore

I'm going to vote with Frank on people. Our number one job as CEOs is to put a team in place who can run the business as well or better than when we leave. I think that has become a casualty of today's world where we're moving so fast and doing so many things. When you're running at 40 per cent and 50 per cent growth a year, and there's a tremendous war for talent in terms of skills, how much time can we spend coaching? How much time can we spend picking the right team and working with people?

The other key is fundamental business basics – cash is king! The good times cover a lot of sins. When you plan your teams, it's vital to have someone with operational excellence who can get you through by focussing on your accounts receivable. Dot-coms today have a tremendous cash burn-rate – it's treated like manna from heaven and it's always going to be there. I think businesses really have to understand their business basics and execute flawlessly.

"Cash is king!"

JUST HOW IMPORTANT IS THE INTERNET?

David Ticoll

When we did our survey of leading growth firms before the Wisdom Exchange, we found that one in 10 of the CEOs thought that E-business really doesn't need to be in their plan in the next 12 months. You may think it's good that 90 per cent did think that it should be, but one in 10 is still a significant number for a group of successful, high-growth firms. So, is it true that maybe there are some areas where the Internet really isn't that important?

Paul Tsaparis

It is incomprehensible to think of any business or any organization that is not impacted in some way by the advent of the Internet. I think it's important to keep both aspects in mind, the positive and the negative. There are a lot of people who say, "If you're not on it, your business is dead." I don't believe there is any business that shouldn't be thinking about how it could be positively or negatively influencing them.

David Ticoll

Look what's happening to this whole dot-com phenomenon now. After the big consumer dot-com flame-out, there was another flame-out of B2B exchanges, even though Forrester was saying that 90 per cent of that multi-trillion-dollar marketplace was going to be B2B. So why should I pay attention to this? Isn't it just another information technology – six or seven years ago, the vendors were pushing a client server; 15 years ago Frank and John in particular were telling me I should buy a PC, and you were selling Unix servers. So, is it just another technology wave, or is it more fundamental?

Paul Isaparis

Earlier technologies did not have the same allure or potential. The Internet is fundamentally a less expensive way to connect with customers from an external perspective. The Internet has significantly changed the playing field for all businesses, both large and small.

"The Internet has significantly changed the playing field for all businesses, both large and small."

John Wetmore

This isn't a wave that's going away. This is changing every institution in the world. The fact that some dot-coms are crashing shouldn't change anybody's view of what is really fundamentally changing. Start-ups come and go all the time. I don't think the probabilities of start-ups have changed. In the dot-com world, one in ten survives. It's been like that for many, many years. The important thing is that the dollars being transacted around the Internet are hitting the high side of all the projections, in spite of all the crashes. Everybody in this room realizes it's going to impact their industry some day. The question isn't "whether," it's "when."

Then you ask the question, why not make the investment a year sooner than you would otherwise have done, if you know you're going to be there to be competitive? I think it's that fundamental. This is a really important issue for Canadian business people who feel that, "it's going to happen, but not to me, not right now." That's the danger, even in the good times.

Frank Clegg

We believe we're in the third phase of the Internet. The third phase is all about having a very solid business plan. You'd better be worrying about old-fashioned things like cash flow and customer value and key milestones. You really need to understand how it's going to impact your business and then develop a strategy.

"We're in the third phase of the Internet. The third phase is all about having a very solid business plan."

There's nothing wrong with the strategy to wait and see what happens. I was meeting with a customer of ours, and I was surprised because in everything else they're doing they have been very aggressive with technology except with this one and their CEO has

just not bought into it. But I'll tell you, he's watching this thing every day. He can give

you the stats on his Website. He knows how many people visit and he knows what they're doing on his Website. So if this thing does go into his market, he's got a plan and he's ready for it.

There's nothing wrong with consciously having a trailing edge plan as long as it can be implemented immediately, because what we're seeing with the Internet is that when it takes off, the curve is incredible and there's an exponential curve of growth in response.

Scott Corrigan

It's one thing to build a snappy Web page, it's another thing to make a lot of promises. If you cannot fulfil those promises and get the goods delivered, or take care of returns, then the consumer's experience and the whole interaction with your company fails.

E-business is more than someone just trying to sell something on the Internet. It's much broader than Amazon.com. Both large and small companies are selling goods over the Internet. You can go into a Web site to shop and order your purchase. You can choose when to receive it – you can even return it. But there are a lot of other aspects of E-business that we've found to be very critical. One is the movement of funds, because for smaller customers, cash is critical. That was another piece of our business we had to fill in to give true value to our customers. The need became very evident last year, when a lot of companies really jumped into the E-Commerce market. Around the Christmas season, smaller companies facing cash limitations had problems fulfilling their high volume, on-line orders. Many of them failed and probably destroyed their ability to compete in the future. Customers who have a bad experience with a Web site just go to the next one. If they have a good experience, then they tend to go back. The companies that are able to predict potential problems and rely on strong partners are getting repeat business. They're satisfying their customers and are continuing to do very well.

"E-business is not someone trying to sell something on the Internet. It's much broader than Amazon.com."

David Ticoll

Just to pick up on what John said about starting a new industry, there are lots of people who fail. Go back to the automotive industry in the early part of the 20th century, in Detroit and even here in Toronto: there must have been a thousand people building cars out of their carriage houses – the equivalent of the garage start-ups of Silicon Valley in the 1970s, '80s and '90s. And of those thousands of auto start-ups, there are only three left in Detroit. Does that mean that there was not a successful automotive industry? That the car did not completely transform everyday life and the entire landscape of the world? And transform the way that people did business in many, many other industries?

Obviously, the automotive industry did all of those things. So, there were a lot of shoddy business plans, and people with the best of intentions were incapable of competing effectively. That didn't stop Henry Ford from coming along and inventing a new business

model (the moving production line) and figuring out how to reduce costs and popularize the vehicle. Then General Motors came along and figured out how to do all that more structurally and rationally and do a lot of industry consolidation. As the industry consolidated over time they became the winners. And the fact that there were literally thousands of failures had absolutely no bearing on the fact that the industry succeeded and

went on to transform every other industry – it provided a new fundamental infrastructure for all forms of human interaction and commerce.

"There are lots of people who fail. Go back to the automotive industry in the early part of the 20th-century. That's essentially what we're seeing today. We've seen it over the past 40 or 50 years with information technology in general and now the Internet is bringing about an even more profound change."

I would argue that's essentially what we're seeing today. We've seen it over the past 40 or 50 years with information technology in general, and the Internet, because it affects people in their daily lives as a cheap, easy to use, and extremely

powerful means of communication, will bring about an even more profound change. The analogy of the Internet is not just cost savings, it actually transforms the way we live our lives and how we do things, and it enables us to create new kinds of value that simply didn't exist before.

STRATEGIC PARTNERSHIPS

David Ticoll

I want to move to the topic of the difference between a customer and a supplier on the one hand and a strategic partner on the other hand. What does it mean to get beyond transaction-based partnerships to something that is really different?

Scott Corrigan

A lot of people perceive that a strategic partnership is, "You pay, but you only pay us." The trick is weeding out which ones really have the infrastructure to be strategic partners. The old way of doing business – and we were probably just as guilty as anyone else – was, if we were buying office supplies, we would shop around for whoever had the lowest price on pencils and that's who we'd buy pencils from. Next week, it might be somebody else. You were taking advantage of low cost, but in the long run, you probably weren't going to gain a

"The true definition of a strategic partner is someone who's out to enhance your bottom line, not just their own."

strategic advantage. The competitive market has forced an office supply store to do more than supply pencils. Maybe now they have to offer an information system that ties in with your own accounting systems to keep track and generate reports that you can monitor. The true definition of a strategic partner is someone who's out to enhance your bottom line. They're not out there

just trying to improve their own bottom line. That should be a side-effect, but the question to ask is, are they truly trying to help me improve my bottom line?

David Ticoll

So, if I'm going to consider you to be my partner, I would expect you to share the risks with me.

Scott Corrigan

No, I think any time you enter into a strategic partnership, you're taking a risk, because, if we're investing a lot in a company and that company's not successful, then obviously we're not going to be either. That's the thing about a partnership. There should be a little skin off the nose for both parties. You can be strategic partners with people who compete against each other. For example, we strategically partner with one company and they say: "I hope you don't go and take all this great service you've done for us and give it to our competitors, because we see you as a competitive advantage against our competitors." Unfortunately, that's difficult to do, so you have to work through all of that for everybody to understand that once a strategic partnership becomes a strategic advantage for them, they also have to understand that it's going to probably be shared with other companies. So you're constantly going to be pushing a company like ours to do more.

"You can be strategic partners with people who compete against each other."

David Ticoll

So why is this happening?

Scott Corrigan

Any time you enter into a strategic partnership, you're taking a risk. If you're investing a lot in a company and that company's not successful, then you're not going to be either. That's the thing about partnerships. There should be a little "skin in the game" for both parties.

In any partnership the focus should be to constantly push a company like ours to do more to help your business grow.

Frank Clegg

Probably, the most current example we have of a strategic partnership is Ford, in Dearborn. They rolled out a messaging system around the world to 150,000 people. You like to think every project's planned properly, and working, but of course, there are some things that don't work right. We had a meeting with the team and they asked us what we were going to do about it. You know you're going to have to put people on the project, and as it was early in the life of the product, we couldn't afford to have the embarrassment, because even if Ford didn't say anything, it would have gotten out in the industry. Our concern was that our competitors would say we weren't able to scale up and grow with the customer. So you have to pick a person and say, "I don't care what it takes, I want you to fix the problem." The customer knows that person is the point person for you. And you just have to make it work. It just goes back to putting the right person on it and making it clear to the customer what you're going to do and what you're not going to do.

David Ticoll

That's just good customer service. I'd like to hear a story where you've actually shared the risk, where you've actually exposed real skin in the game.

Paul Tsaparis

A glowing Canadian example is the relationship we've had with Sprint Canada. Sprint Canada had great difficulty as long distance prices started dropping. The margins are

"We don't get paid unless subscribers are signed up on the system and they're successful."

completely out of that business now. Under the significant competitive pressure that they were facing, they wanted to accelerate their push into the data business and focus on the small/medium marketplace. But they had limited capital, people, capabilities and marketing expertise to launch

into this whole market. So what HP did – it's actually transformed itself into the Ascenda campaign – was put in all the technology and all the infrastructure, including incurring significant marketing costs to help develop marketing campaigns. And we don't get paid unless subscribers are signed up on the system and unless they're successful. That, hopefully, fits your shared risk/shared return concept!

John Wetmore

The diversity of deals you do today is really quite great. We've certainly done what Paul's done. I just wanted to add, that partnership is a dangerous word. None of us can go it alone anymore. The pace we're moving at, the competition, and the way the rules change

"Value net" is an even better word than partners because if you outsource to somebody, they become fundamentally a part of your value proposition to the customers."

every day – all this says you've got to change the value net, and I think maybe value net is an even better word than partners because if you outsource to somebody, they become fundamentally a part of your business. There are lots of virtual companies that start up without any employees and yet they are fully functioning in terms of finance, distribution and IT because they

outsource it all. So, when you say those outsources are your partners, maybe that's not necessarily so. But they're part of your value proposition to the customers. I think every industry, every company in this room, needs to figure out who's in their value net.

In some cases, our competitors are in our value net. Dell, Sun – we sell them a lot of technology. We announced an E-marketplace with Nortel, Hitachi, and eleven others in our industry. I don't know that I'd say we're partners, but we have come together to form a marketplace and a value net to change the value proposition for our customers. And so, we're alliance partners – we're together but we probably aren't strategic partners in that sense. So I think partnership is a dangerous word but you'd need to figure out how you can change the value equation – whether you outsource with somebody, or whether you go to one of your competitors and say, "Let's get together and put our catalogues up on the Internet, and share some of the development costs." I see that all the time. It's just a matter of survival.

If you're a small business, it's a little more difficult to figure out who is in your value net. Obviously, if you're a supplier to some large company, you become dependent on that piece of your supply chain. But you should be looking around for who else can help you either expand your market or get the costs out of your businesses.

Paul Tsaparis

Another example is that of Procuron. CIBC, Scotiabank, Bell Canada and Mouvement

Desjardins are coming together around this E-procurement company. The business model is very much shared risk/shared return, and it's all on the premise that they are going to pool all their spending and put it into one pot. But it's also about how they are going to be able to pull their small and medium-sized business customers into that value

"CIBC, Scotiabank, Bell Canada and Mouvement Desjardins are coming together around this E-procurement company. They are going to be able to pull their small and medium-sized business customers into that value chain."

chain, and which companies will actually help them form a value chain. Then they can start to connect, in the case of Bell Canada, communication services to their small business. The thing that's interesting about the business model is that it is based on the notion that whoever brings more value to the organization will actually get a better return. What a wonderful way to "incentivize" all parties to drive the business of this new and independent business model forward.

MAP OUT YOUR PROGRAM

John Wetmore

We used a technique at IBM where we tried to map what we thought the potential return was for doing Web-based activity and then we mapped out how easy it was to do. I wouldn't tackle the most complex project right out of the chute. I'd look for something that you can start out relatively simply and grow fast, and try to get some benefit as you go. In our case, we started in the supply chain, and we put more effort into E-procurement and working with our business partners. Now we're active on the customer side, but we were able to pay our way by working on the supply chain first.

"I'd look for something that you can start out relatively simply and grow fast, and try to get some benefit as you go."

You can get help out there. There are all sorts of consultants or providers who can give you help with how to get started. I wouldn't consider doing it all yourself. Today you can buy a service. There's a very rich industry today that can help you run your Websites on a secure basis. If I were you, I'd concentrate on the business decisions.

David Nicoll

In small or medium-sized businesses, it's very difficult to get help. Some IT vendors and consultants charge a lot of money for their services, because it's not economical for them to provide services to smaller clients. E-business involves huge, complicated issues – far more complex than installing a server, or getting Microsoft Windows working, or hiring UPS to deliver a package. How do you pay for that advice if you're a 50-person company?

LEAN ON THE RESOURCES OF BIG COMPANIES

Scott Corrigan

One of the brochures that UPS puts out is called *Clicks & Commerce*. Throughout this publication you'll see case studies of small companies that had an idea and needed help to make it a reality. For some, they wanted to get a Website up and running and needed help doing that. It would have been very difficult for them to go out and hire people just for this purpose. So, in most cases they called on other companies to do the work for them, and formed a partnership. In the cases where we helped, we had to go out and invent technology, or bring together other technology companies to get a solution for this customer. These small companies became very successful – that's why they're in the brochure. UPS may come in and do some integration of technology to help with the whole supply chain management process. And, someone else may come in and supply the hardware solution they need. In most of these cases, you'll see that there was very little cash outlay on their part.

John Wetmore

There's an amazing amount of information on the Web itself. In our case, we have a small-business advisor. You can get help from associations – the Alliance of Manufacturers and Exporters, the Retail Council of Canada and the Canadian Bankers Association. They all have indexes of people that can help you. There's a student connection program through Industry Canada where you can get some of these students who are very Internet savvy to come out and help you. There are small-business advisors. There's a lot of help out there. You've got to work at it a bit, but you'd be surprised.

Paul Tsaparis

There are a tremendous amount of functions that can be outsourced. Someone can host your computers. You could even start to think of your computer and infrastructure as an information utility, just like power. You're not going to go out and invent power. You're not going to set up a power plant. You want to be able to plug into it. Conceptually, for a lot of functions around the Internet, you want to have that same kind of business model moving forward. The function you absolutely don't want to outsource is your business, or the talent and the capabilities of your individuals. So I would be very leery of going to organizations, whether they are IT companies or consulting organizations, and asking them to tell you how to run your business because you know that best. Don't outsource the ideas. Don't outsource the strategy. Those are all yours.

"Think of your computer and infrastructure as an information utility, just like power. You're not going to go out and invent power. Don't outsource the ideas. Don't outsource the strategy. Those are all yours."

David Ticoll

The question becomes, "What is it you do that your customers value the most about your offering?" In the automotive industry, we value the design capabilities, the engineering abilities and, looking into the future, the ability to provide a whole variety of information services around the transportation product. Who cares who actually builds the cars? Within the next few years, car manufacturers won't be doing the manufacturing anymore. They'll be leaving that to the Magnas of the world and the Lear's. What will really count for them will be the ability to design the car, to choreograph the whole supply system around the car and increasingly, to control and manage the customer relationship over the lifetime of the vehicle ownership. So, they'll actually be more intimate with their customers tomorrow than they are today. Today, when you buy a car, you leave the dealership and most of you will never have to deal with the manufacturers. Tomorrow, however, you'll be able to get all kinds of services on a subscription basis, like GM is now doing on OnStar. That will ultimately enable those companies to extract more value from their systems while letting suppliers do the things that can be "commoditized." It will also allow them to leverage the capabilities of those suppliers.

"What really counts for car companies will be the ability to design the car, to choreograph the whole supply system around the car, and also increasingly to control and manage the customer relationship over the lifetime of the vehicle ownership. Who cares who actually builds them?"

BIG COMPANIES HELPING SMALL ONES

WHAT'S THE UPSIDE OF SHARED RISK/REWARD?

CEO

Talking about shared risk, the purchaser is still pushing a lot of the shared risk out to the seller, as opposed to a true partnership. In the example of Hewlett-Packard, for instance, was there the opportunity to earn better-than-normal returns if the collaboration was a success, or was it, "You get to earn your regular return on investment if we actually manage to sell" or, "HP, we want you to take some risk, and if it works, then you'll actually get paid for this?"

Paul Tsaparis

Absolutely — it has to be that way. Too often, what you've described is exactly the case. If there isn't equal opportunity for upside and downside, then what is the incentive, and what's the point of moving into a shared risk/shared reward type system? These are very difficult to do, and I don't want to paper over the difficulties and say this is a simple business transaction. But if you can not have an expectation of greater-than-upside returns from the risk you're putting into it, then these business models are absolute failures.

INVESTMENT PROGRAMS FOR SMALL COMPANIES

CEO

Hewlett-Packard has a garage program where they seem to be taking shared risk with the companies all the way to taking warrants in a company in return for supplied equipment. How do the rest of the companies take their share of the risk?

Paul Tsaparis

The garage program is targeted at business start-ups in very early-stage financing. This means being able to provide technology, financing, marketing support, and in some cases, working with business partners to operate the technology — or, in the case of people who want to do that themselves, helping them launch it. It's a different investment. In a lot of start-up companies or emerging organizations, cash is a big issue and the ability to have more flexible capital, not only just financing terms (it goes far beyond that), can help. They're usually at early stages — when they haven't yet completed either their first or second round of financing — and it gives them an opportunity to grow their businesses rather quickly or take the precious cash they have and apply it to different parts of their business. There are all sorts of aspects and elements to the program in terms of financing rates, shared risk and marketing support. It depends on what the emerging company needs.

John Wetmore

We have a similar program for dot-coms and Net-gens and start-ups that includes loaner equipment, so we're subsidizing the start-up phase with hardware and software and expertise. We take warrants back in some cases. We've also invested in three different venture capital firms in Canada. We've put millions of dollars into the VC firms, who in turn invest

that money in Canadian start-ups. We have a special program for those firms that come through those VC companies – again, as a way of helping them get started. It's an active area and, as Paul said, there are many permutations and combinations. Every company has different needs in addition to the need for money. If they can become part of your value net, that has a lot of value. My observation is that a lot of these new companies want that value.

Scott Corrigan

We're out there investing in solutions, and putting the money in, before there's a need for it. We invest in a lot of strategic technology companies around the world – small companies that have promise, either in an industry similar to ours, or technologies that we will need in order to enhance our services in the future. A lot of our new services have been driven by partnering with customers who hold an idea that forced us to create a new service, so we had to go out and invest in that.

David Ticoll

If I want to start an E-home bakery, let's say, for delivering freshly baked goods to people every morning, will you help me get that going in some way?

Scott Corrigan

We won't come over and help you bake the bread, because that's what you do well. We would show you how it's going to get there on-time, and delivered fresh. When you have a lot of perishable goods, it's a big challenge for a company like ours to move them overnight. We deliver live lobsters the next day – so I think we could do bread – but we've had to put a lot of infrastructure in place to do that, we have taken substantial risks up front to be able to provide you with the solution you need.

THE IMPACT OF LEADING GROWTH FIRMS ON THE ECONOMY

Ontario's leading growth firms:

- represent less than 2% of all firms in Ontario, yet create over 35% of all new jobs
- have a growth rate that is three times higher than the average for all firms in Ontario
- are responsible for billions in sales annually
- contribute to the local, regional and provincial economy
- are exporters and open doors world-wide.

CHAPTER 8

E-REVOLUTION, STAGE 2

This chapter summarizes some of the ideas presented made by Polly Le Barre, a senior editor with Fast Company Magazine. Polly has edited a section about the new culture of success and the future of working, computing and living.

Polly Le Barre describes the business world as being at a magic moment in its history, because the logic of success has changed fundamentally. To create the most value today, she tells participants at the Wisdom Exchange, companies no longer need to have the biggest factories, or the most people, or the most money, or the fanciest offices. She regularly comes across companies that demonstrate very well how smaller and smaller groups of talented people with a passionate commitment to a set of ideas can do bigger and bigger things. This phenomenon, she believes, is one of the defining features of the new economy. Innovation has now reached a human scale and this makes business exciting, fun, exhilarating, to the point where it has evolved into a new form of global entertainment.

However, if the biggest factories and the most money don't create the most value, what does? In her opinion, the most powerful ideas and the highest standards — brains and values — are the main creators of value. Everything else in business today is secondary. People who want to build a great company or win big in the new economy have to come into work every day with the notion that their job, and the job of their colleagues, are not to out-hustle competitors but to out-think them. That means generating better ideas and creating faster feedback and fixes more efficiently than anyone else. According to Le Barre, the only sustainable form of leadership in business today is "thought leadership."

Noting that we are not really in the age of the Internet, as is commonly believed, but in the age of the customer, she explains that customers are more demanding than they've ever been before: they have access to more information at greater speeds and with greater interactivity than ever before. They also have access to more suppliers and these suppliers are willing to do almost anything to get their attention or to steal them away from their current suppliers. Customers are in control — never has there been a better time to be a customer or a more demanding time to be in customer service.

Le Barre explains that what she means by this is not better product features, better value, or any piecemeal part of the whole, but something more comprehensive and organic. She quotes Michael Dell of Dell Computers, who told her that the way of the future was the customer experience. According to Dell, from now on, competition will take place on the battleground of customer experience. By that he means the sum total of all transactions a person has with a company's representatives, products and processes before, during and after the transaction. He refers to this as the emotional resonance of all the interactions involved in a transaction. To accomplish this, print ads need to be mapped to the design of Dell's Website, which, in turn, has to be mapped to the personality of the person who phones 1-800-Dell. His staff is asked to map all the steps involved in selling to a customer to the latter's experience of getting a Dell Computer in his home.

Le Barre proposes that, in order to achieve this experience, companies start by understanding the complex problems of their customers. She quotes the Chief Marketing Officer of Cisco Systems as saying that the company does not try to sell its customers a product – instead it tries to understand what is going on in their heads and how Cisco can solve their problems. Customers don't care about their suppliers' products – they care about their own.

Le Barre also describes the Internet as the most powerful laboratory for business experimentation ever. According to her, in every single industry, at any one point in time, there is someone, somewhere in the world, who is reinventing the logic of what that industry does by using the Internet. Many of these entrepreneurs are likely to fail; some, however, are bound for glory. Those that seek to achieve the "ultimate" E-business strategy are most likely to get into trouble, she thinks, because they have to project further ahead than six months, and by the time they achieve their goals, the market will have changed beyond recognition. The mind-set required to compete in these circumstances, she concludes, is "aggressive curiosity."

In an environment where the ultimate determinant of success is a state of mind, Le Barre suggests, the company that has the team with the clearest sense of purpose is the one that will ultimately win. In Silicon Valley three months of Internet time is equivalent to a year of time everywhere else. She quotes her favourite bumper sticker: "Stop for lunch and you ARE lunch." As a result, some companies have developed strategies to cope with the time pressures. They all boil down to one simple idea – if a company wants to move faster, it has to measure time in as tangible and visible a way as it measures dollars in its financial statements or employees in its head count. She suggests that companies today are still focussed on the financial aspect, but they temper that by asking themselves whether they can ship their product 25% faster if they spent 15% more or hired a few extra people. Companies today are focussed on the trade-off between money and time.

Le Barre gives the example of a division of Federal Express called Roberts Express, which is an expedited freight company. It has a network of about 2,000 independent truckers, who are high-intensity users of technology. The company has a 96% record of on-time delivery even though they ship everything, from masterpieces for the Metropolitan Museum in New York to camera equipment for the filming of *Titanic*. At Roberts Express, she says, everything is tagged for the time metric. The Manager of Information Systems at Roberts apparently has 60% of his salary pegged to how quickly Windows pops up on everyone's computer.

Le Barre describes this approach to business as the "first learner advantage." She believes the key is not to get a product to market so that it can win an 80% share, but to get it to market so that the company can learn, reinvent, revise, and as a result interact with its customers faster than anyone else. The business cycle, in her opinion, is moving away from the notion of "plan, build and ship" toward "launch, learn and revise." She approvingly quotes one of the participants who said, "Sooner is better than perfect."

In this environment, successful companies have one thing in common – smart people. A study by McKenzie Consulting, called *The War For Talent*, shows that there are only four good answers to why smart people work at companies:

- I. **We are best in class.** These companies say: we're absolutely the best at what we do. We may not have the fanciest offices or the best benefits, but we produce "A" quality products, and "A" quality people want to work on "A" quality products.

- 2 **Big risk, big reward.** This is a product of the start-up economy. On the one hand, employees are working very, very hard to get something done but no one knows whether it will be big or a flop. Short-term rewards are irrelevant: the employees know only that their work will hit the marketplace at some point and that, if it does become big, the financial rewards will be huge.
3. **We are changing the world.** Talented people want to make a contribution. They want their work to have some meaning. They want to be able to say: "You know that project I worked on for two years has changed the way people communicate or the way they eat." It's not about solving world hunger. It's about making a difference in a tangible way.
4. **We're grown-up and we have a life.** Smart employees in smart companies like to compete, create great products and do well. They don't want to be seen as unbusiness-like, however. They will not bring their dog to work. There are no futons or basket-ball courts in their firms. They are not a "dot-com." They are grownups who go home at the end of the day and hang out with their kids.

Le Barre also quotes Cisco Systems as an extremely innovative company in the techniques it uses to attract smart people. The first thing it did was to recognize that the great people it wanted already had great jobs. So its managers created a team called The Sourcers, who spend their time with the swath of the talent market from which the company would like to hire. They go to conferences and industry gatherings in order to gather information and assess what kind of mind-set these potential colleagues have. Eventually, they compile valuable lists of the people they would like to attract. When talent is scarce, Le Barre stresses, companies cannot afford to wait for résumés to flow in. They have to be creative about finding and getting the right people.

Cisco also believes that the kind of people they want are likely to be innately curious – and they will almost certainly visit Cisco's Website at some point. So they have created a hot list of some 20 competitor companies that have the talent they seek. Now, when individuals from one of the tagged URLs visit Cisco's Website, they see a home page that is entirely different from the home page everyone else sees. It says: "Welcome to Cisco. Want a job?" Then, while these people are exploring the site, a button appears at the top of the screen that says, "Oh no! My boss is coming." Click on it, and an Excel spreadsheet pops up. It works. It hooks the company's potential employees because they like the sense of humour, the attitude it conveys. Meanwhile the Website also provides them with some serious and valuable information.

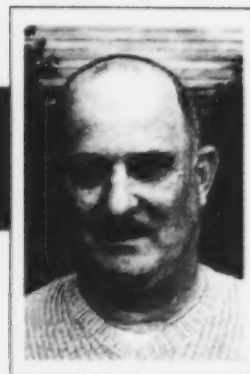
The company also has a system called "Make A Friend At Cisco." About 4,000 people inside Cisco are incentivized to be buddies to potential colleagues through the process of helping them find out more about Cisco and by taking them around the campus so that they can decide if they actually want to pursue getting a job there. Some companies may argue with these guerilla tactics, but they have enabled Cisco to hire thousands of people, quarter over quarter, in the most competitive market for talent in the business world.

PROFILE #1

HomeProject Inc.

Chairman
President and CEO

Oren Asher
Amnon Zohar (pictured)



"We pride ourselves on reading market trends, and then leveraging them to our advantage." – Amnon Zohar

HomeProject looks like a new company and acts like a new company, but it is actually 15 years old and fully engaged in creating a new persona as the developer of a web-centric visualization technology. It started life as Ditek Software Inc., and under that name built a solid, strategic market position, only to see it rattled by a shift and consolidation within the market. This in itself is hardly surprising – it is almost a given that technology companies will be blind-sided by the fickle IT market that can turn its head in a matter of weeks. What is surprising is that a company would have the resilience to absorb the punishment and reinvent itself.

Just as important as creating a new persona is the challenge of managing the process of morphing from one persona into the next. "If you are going to effect a fundamental change in your business model," says Amnon Zohar, "do it through proactive destruction. Don't hang on to your legacy for fear of offending some customers. Be decisive. Go out and tell your customers why you're doing it. Tell your distributors why you're doing it. Tell your investors why you're doing it. Explain to them what the options are – and the options are not too good – then go about it decisively."

Zohar is President and CEO of HomeProject, while the Chairman is the original founder of Ditek, Oren Asher. Zohar is the implementer, with a background in sales and marketing, and Asher is, above all else, an entrepreneur with a capacity for technological vision. And even when it was Asher's vision that was being gored, he accepted the verdict of the marketplace and gave Zohar his full support to make the necessary changes.

"You terminate the agreements you have, endure the penalties and the price you have to pay," says Zohar. "Then you have to separate yourself from the people who are not going to be successful in this new model, because they don't possess the right skills or the attitude. Only then do you go out and create a new culture – a culture that can excite people about the possibility of doing something that nobody's done before. That's exactly what we did."

HomeProject has developed remarkable technology that could well play an important part in using the Internet to drive the buyer-seller relationship. The company's technology will help consumers forego kicking tires in the local (or not-so-local) store in favour of visualizing a project or a product on the Web. Its software offers "design and visualization" for people who can't visualize how their living room or their kitchen would look if it was redecorated and remodeled, for example. The software provides a 3D scene, for example of a room, which can be viewed from any vantage point. Users can then drag and drop furniture or appliances to see how they would look in another spot, try out different floor coverings and curtains, change the cabinets, or even board up a window or punch through a new door. And they can do all this in a room identical to the one they wish to remodel – all they have to do is enter the dimensions of their room for the program to reproduce a 3D model. Hence the new name, HomeProject, which dates from early 2000.

Demand from other industries, including office design, real estate and manufacturing, prompted the company to launch a separate technology division, called View22 (www.view22.com), which enables quick deployment of cross-industry applications based on the core technology developed for the home domain.

The roots of this technology go back a long way. Asher started Ditek in 1986, and the company developed a product called DynaCADD, a program for Computer-Assisted Design that ran on Atari and Amiga computers. Compared to the DOS-based PCs that were just beginning to dominate the market, Atari and Amiga offered far superior graphic capabilities – a role that was later to be picked up by Apple – but they eventually lost out to the PC juggernaut.

When the market for the Atari and Amiga platforms collapsed following the launch of Windows and Intel's control of the market for chips, Asher decided to stick with CAD. He embarked on a major R&D program to adapt DynaCADD to the new environment. His new product, built for the Windows environment, was a CAD program that had to tread its way carefully around AutoCAD, the much more expensive and better-known program of the market leader, Autodesk.

"We set out to build the most robust CAD engines, which are the most hospitable and open, but we were not aiming to compete with AutoCAD, which is a dedicated CAD application for professionals," says Zohar. "Instead, we wanted to create an engine that was just as powerful, probably more capable, but aimed at third-party developers who wanted to drive their own third-party applications."

In other words, Ditek wanted to integrate its software into their clients' applications, rather than competing as a stand-alone, like AutoCAD. It was a sophisticated strategy, and it worked well for a while, particularly in fields such as landscaping and home improvement. Sales quickly ramped up to \$1.4 million in the first year of business under the new banner. But it didn't last long. Sales advanced only to \$1.8 million in the second year and Zohar and Asher knew the writing was on the wall. "Market conditions clearly indicated that we

could not achieve spectacular growth," says Zohar, "even though it was a profitable model, because it was leveraging five years of R&D that had already been expensed."

Ditek had fallen victim to the technology revolution. As prices for hardware came tumbling down, AutoCAD users were paying more for the software than for the hardware. Price resistance set in and Autodesk had to take radical steps to survive. Says Zohar; "They realized that they had to move up the value chain to command the prices they were charging for AutoCAD. So Autodesk started buying up application companies, setting off a wave of consolidation in the industry. They made a transition from being a product company to being an application company."

Just as this market consolidation was cutting Ditek off at the knees, there was another revolution brewing. Says Zohar, "The advent of the Web created a whole new deployment strategy for vertical market applications of mass appeal, because the market reach is so much better." It was clear to Zohar that Ditek had to become a Web-centric company.

"We pride ourselves on reading market trends," says Zohar, "and then leveraging them to our advantage." He took the decision to make the switch in June of 1999 and seven months later had proved that the vision could be achieved. In June 2000, they launched their website, a unique showcase and user test bed for their design and visualization infrastructure.

Reinventing a company within a year has major ramifications for the employees. "In June of 1999, we had 26 employees," says Zohar. "By Christmas 2000, we had 37. But only seven made the trip across – the five core developers who had all that CAD experience and built the CAD engines, the accountant and myself. We had to change the skill set, and we had to change the culture and the attitude of the company, to be able to operate at the speed that is required for the Internet."

That meant 19 people had to leave. Zohar had to explain to those employees "they were hired for another business model." Most of the people laid off were in sales and distribution specializing in packaged products, so their expertise was not relevant to a Web-centric company. So, while 19 were being laid off, another 30 were being hired.

Despite turning his business into a Web-centric company, Zohar retained the basic strategy of not selling to consumers ("the branding is too expensive"). HomeProject's software infrastructure is integrated as a strategic component of its customers' Internet strategy. So far, the company has secured BobVila.com/Sears, GE and John Deere as its first best-known clients in the home improvement, landscape and garden niche. Zohar expects to be ramping up sales to other companies in this field and to expand into other fields, such as manufacturing, office design, space planning, component configuration and much more.

"Currently we have the design and visualization category to ourselves," says Zohar, who has gone to see all the major market research companies, such as Forrester Research, Jupiter and Gartner. "We believe that this category is going to expand and as it does we will be well positioned to maintain our leadership. All of the trends and recent research indicate that it will become a category in and of itself, rather than piggybacking on the existing categories, none of which quite fit. Some people are asking, 'Do you think you can go on forever without having competitors?' and our response is 'Of course not, however, as we continue to move the bar up, competitors that are just arriving on the scene will probably have to partner with us rather than redo from scratch what we've already done. And that's OK.'"

PROFILE #2

D-Code



Founder Robert Barnard

"I believe the Information Age Generations are setting the agenda for the Information Age. And D-Code is right on the cusp of knowing all about that and learning about it" – Robert Barnard

Since the beginning of the written word, there has been no shortage of stories about frustrated older generations bemoaning the inexperience of their offspring, nor has there ever been any shortage of evidence that young people compensate for this lack with their energy and enthusiasm. However, after almost 5,000 years, we are probably witnessing the end of that pattern today. The rate of change in social behaviour, technology, and tastes has broken through the generation barrier and parents can no longer rely on personal experience to judge (no matter how poorly) their children's attitudes and behaviour. The parents of the Baby Boomers did not always understand how hours in front of a television set or radical new tastes in music would change their children. The Baby Boomers, in turn, are often floundering as they try to fathom the impact of digital culture and the Internet on their offspring. Experience always helps, but it is no longer necessarily the best guide to what lies ahead.

"There's a big difference between the life experience of this generation of young people and their Information Age experience," says a founder of D-Code, Robert Barnard, who has built his business studying what he calls the Information Age Generations. The life experience is obviously limited, but the Information Age experience can be considerable.

Barnard defines the Information Age Generations as those born after the early 1960s. There are two generations starting to exert their influence on society. The Nexus Generation is in its mid 20s to late 30s, born in the early 60s to late 70s. The Velos Generation was born in the late 70s to early 90s, and is the first generation to have its formidable years exclusively in the Information Age. While every generation has grown up in environments that shaped them a little differently than their parents, the Information Age Generations have known deeper and more profound differences in their formative experiences," says Barnard. "They are quite aware of their environment, which includes a number of relatively new developments – divorced parents in much higher proportions, globalization, and the revolution provoked by the Internet and the personal computer," he explains.

"I believe the Information Age Generations are the guide to the Information Age," he says. "They will set the agenda for the next 50-years. And D-Code is right on the cusp of understanding that agenda. It's great fun."

Barnard is a researcher and expert on Information Age Generations, and his company is evolving the traditional consulting model for such clients as Royal Bank, BCE, and provincial and federal governments. "In the traditional consulting model, you hire a lot of very smart people and put them in an office," says Barnard. "Then when a project comes in, you search around to see who is available and you try to match up the project with the skills. That means it is the same basic group of people who work on all projects. What we do is appoint a great project manager – usually we put two on every project – and then we go out and find what we consider to be the best team possible in North America and we bring that team together to work on the project."

The vital ingredient is Barnard's D-Coders – a diverse group of 400 or so people from all over North America who are reflective of their generation and the key source of content in D-Code's research and analysis. "Our goal is to know more about the Information Age Generations than anyone else in the world, certainly anyone else in North America," says Barnard. The best way to do that is to have a diverse network of people who are experts on elements of what's going on within the Generation. We want people who have had multiple careers, who have different educational backgrounds, who have travelled. The more experiences they have had, the better. We find that multi-disciplinary people are able to work on a multitude of different types of projects because they've had a lot of different experiences. If a person has worked in only one area, they will not be as flexible when working on a challenge that may be out of their realm of expertise. Most of all, we seek out very bright individuals who are observant, good communicators, innovative and multi-disciplinary leaders who can best articulate the experience of those in the Information Age Generations.

About three-quarters of the D-Coders are in Canada and the remainder in the U.S. The most active D-Coders take on two projects a year. They come from many walks of life – small business owners, social activists, lawyers, and filmmakers. "In our internal staff, we have a person with a Phd in demographics, someone who has worked on think-tanks in Ottawa, and a children's museum in Winnipeg."

One of D-Code's employees works full-time on managing the network. She interviews potential recruits and manages communication with the network. "We're always trying to find new ways to get the network involved," says Barnard. "In the fall, we had a D-Code 'Night at the Movies.' We picked a movie called 'High Fidelity,' which was appropriate for those generations. We told everyone that they should go to the movie on a certain night, wherever they were in North America. After the movie, we actually went online to talk

about it. So we had people showing up in Calgary and Halifax, and the United States, and in Toronto, and we got into all kinds of discussions around relationships. It was fun."

D-Coders provide much of the qualitative input into the company's consulting practice through a wide variety of techniques: "We call it the 'Insight Engine,'" says Barnard.

The results of their efforts come in one of three forms:

- Future consulting and program development, which tends to involve larger projects, such as developing a strategy to attract young investors to a mutual fund company or developing a new marketing program for students around wireless technology.
- Customized research, which can involve any one of about eight techniques D-Code uses to understand the Generations. They range from the E-mail quick hit through long interviews with as many as 100 people from the Information Age Generations, to discussion groups where clients can sit down and talk to the Generations about a particular campaign or product. D-Code often backs these up with quantitative surveys for its clients.
- Multi-client studies where D-Code identifies a strategic issue that has broad implications for spotting trends within the Information Age Generations. This can be applied to any industry that is targeting the Nexus and Velos Generations. These projects require the backing of five to 10 major clients. Currently, Barnard is planning a project on how the Information Age Generations view leadership and this summer, D-Code is publishing *The DNA Report*, which examines these generations as consumers, employees and citizens.

He sees growth as a three-phase process. "The first phase is building the network. The second phase is building our client list. The third phase is the office. We've already started to build a network in England, where we have four or five D-Coders. Once the network is running and there are enough clients in England, the office will not be far behind."

Barnard would like to expand into the U.S., Europe and Asia in the next six years. It will be easiest in the U.S., where he hopes to open two offices in the next two years. "We could set up an office next week in New York and it would automatically have a network of people at its disposal who have experience with D-Code projects. It's a longer task for Europe and Asia, but once he is satisfied that the model in Toronto has been perfected, there's no reason why D-Code should not have more than 100 employees by the end of this decade.

"It's difficult to establish a comparative growth rate for the company," Barnard says, "since we are unique in exploring and developing this new business model. We have established great client relationships and there's lots of demand out there. We could continue to grow rapidly, because we've spent a good deal of time developing a pretty unique business model that we are really happy with. It works."

"If I were to be characteristic of someone born into the Information Age, then I'd be looking for a new career every two or three years. I've been building D-Code for six years now and I'm wondering why I'm not clamouring to go and do something else. I'm not! I love what we're doing at D-Code. I completely believe in the model that we're building, and I want to see it succeed. I also look forward to the opportunity of testing it out in different countries to show that the model works. I think the next two years are going to be interesting – not that the last six years weren't – they were. It just seems that each year gets more exciting as we go along."

PROFILE #3

Research in Motion

Chairman & Co-CEO Jim Balsillie (pictured)
President & Co-CEO Mike Lazaridis



"I have never seen an organizational chart. I'd probably go a little apoplectic if I did. It just makes no sense to me. We have team leaders who are given responsibilities and who have people who work with them, but this idea of a hierarchy, an entitlement, and climbing and all that stuff, I'm not into that. That just promotes gamesmanship."
— Jim Balsillie

Research in Motion (RIM) has done what so many visionaries can only dream about — it has created a new market by creating a service people did not know they needed until it came along. With its palm-sized wireless data modems, connected in real time to E-mail, it is transforming the work habits of business people all over the world away from their offices. When RIM released its latest model, the BlackBerry, in 1998, sales just took off, propelling the Waterloo-based firm onto the world stage as a high-profile player in the Internet revolution.

It all happened at breakneck speed. In 1994, when RIM introduced the forerunner of the BlackBerry, the company employed 30 people and sales were running at CAN\$2.8 million a year. By the fiscal year ending February 2001, sales had risen to more than CAN\$250 million and the company was employing 1,200 people. Despite its unblemished track record, however, the company had the same rocky ride that was the lot of Internet companies during 2000: the value of its stock ranged on the TSE from \$35 to \$260.

It takes special skills and nerves of steel to run a company like RIM. Based in Waterloo, Ontario, it is managed by two partners, co-CEOs — Jim Balsillie, who looks after financing, sales and marketing, and Mike Lazaridis, who looks after the technology, operations and production. Lazaridis started RIM in 1984, when he assembled a team of bright, technical people in search of a good opportunity. Balsillie joined him in 1992, when the company had sales of about half a million dollars and fewer than 20 employees. "They had been into three or four different businesses when I arrived," says Balsillie, "and we decided to really focus on the wireless niche, combining mobility with digital data."

At that time, of course, it was a far-sighted decision — the Internet was something of a secret and wireless devices were not even on the radar screen. But Balsillie thinks their decision had nothing to do with luck. "It's a belief system," he says. When CEOs pick a leading-edge technology, it's as much a reflection of their personal inclinations as their logic. "Your visions are really core," he says, "and the circumstances determine the degree

of good fortune you will get with those visions. We made the right bets. In hindsight they look pretty good." In between, however, it was a game of foresight that adjusted to every twist in the technological road. "You are always playing this positioning game, this sensing game, this adapting game, and this adoption game for affirmation, which are all about systemically improving yourself in your position, within a sector that you think is going to be important."

But the flexibility can only take a strategy so far, once the basic direction is set. "You have to keep working with where you are," says Balsillie. "Is it right or wrong? I don't know. Ninety-nine per cent of the time you are where you are. It just is, so what am I going to do? Maybe when we are 60, we will reflect on whether it's been a good life or not, but in the meantime we have a very adaptive culture."

Given that philosophy, Balsillie believes the secret to success lies almost entirely in how well the strategy is implemented. "What we have to do is pretty clear in terms of general vision. The execution is really where the rubber meets the road. You have to scale the plan. You have to keep your device yields up there. You've got to get sales with a margin. Your whole approach to business has to be really efficient and frictionless." In each of these areas, RIM is relentless in setting clear plans and directions for what has to be done, to what specification and by when. "Businesses are five per cent strategy and 95 per cent execution."

It would be a mistake, however, to imagine that this demanding approach implies some kind of military organization. Quite the opposite. Balsillie does not believe in formal management structures, with their hierarchies and their reporting procedures. RIM would have imploded a long time ago if he did. "We don't have an organizational chart," he says. "I've never seen one and I'd probably go a little apoplectic if I did. It just makes no sense to me. We have team leaders who are given responsibilities and who have people who work with them, but this idea of a hierarchy, an entitlement, and climbing and all that stuff, I'm not into that. That just promotes gamesmanship. If a company becomes oriented toward gamesmanship, then their better gamesmen will thrive, and not necessarily the most brilliant person who can do the job that needs to get done. So you have to be very careful. We screen carefully and we interview carefully, because we are hyper-protective of the culture."

"You have a clear sense of direction. You make sure you bring in bright, motivated, high-integrity people and you give them a lot of room to do what they do well. It's an empowered, involving, dynamic, fluid, networked, collaborative organization. The plant is a little bit more organized – it has to be, because you're chunking out radios – but the sales and marketing scenario is chaotic, in many respects. So you fit the structural aspects to the critical tasks."

Every Monday, Balsillie gets on the phone for his weekly conference call with the key 80 or 90 sales and marketing people, based in 10 or 15 offices in North America and Europe. "Everyone spends a minute saying what they did last week and what they are doing this week," says Balsillie. "That adds up to an hour and a half. There is very clear communication, visibility, accountability, appreciation and applause. We're all mutually

interdependent and mutually accountable and it's pretty darn clear when someone is not pulling his or her weight. It's also pretty clear when someone is doing a good job. It's visible and apparent, approved and affirmed. This stuff is not magic."

With this level of communication and shared goals, Balsillie tries to keep out of the way, so that his key managers can do their job. "They self-organize. I wouldn't dream of getting in the middle of that, because I'm not close enough to suggest the best course of action. I can articulate an issue. I can articulate an opportunity. I'll articulate something that needs to be addressed if it's a priority – and I'll find out who is going to pay attention to it and be convinced to look after it and I'll remember that. Then, if someone looks after it, that's great. It's not a problem."

Because he keeps such open lines of communication, Balsillie doesn't have a formal approval process for his managers' decisions. "You don't approach them with attitude and power – you approach them with sound ability and logic, experience and perspective. Sometimes I'll say, 'That doesn't sound very smart,' or 'Why is it that you want to do that?' I'll challenge them or I'll come in and share my ideas. It's pretty clear whether or not something is a tricky issue. And if it's tricky, I'll say, 'What do you think?' Hopefully people will approach these things that way."

This approach extends even to decisions about spending on R&D, which can be a sinkhole for companies that don't pay attention. "It has to have some market context," he says. "You don't just do research because it's intriguing. If it's got some core technical benefit that is disruptive, that we can fit within our products and that allows us to enhance or redefine the value proposition, then that is totally cool."

RIM sees itself as a research company, dedicated to developing new products. For the past three years, the company has spent between 15 per cent and 20 per cent of its revenues on R&D – which means US\$12 million in the year ended February 2000, and Balsillie sees it rising to US\$25 million or even US\$40 million. Mike Lazaridis is Chief Technical Officer as well as President, so he is responsible for the implementation of these decisions, but the two men are fierce in keeping everyone focused on the end result of their work. "We have a pretty rigorous set of market research and focus groups and a pretty clear sense of the value proposition we want to offer," says Balsillie. "And all the technologies are really converging to offer that."

Whenever research is proposed that meets these criteria of relevance, Balsillie and Lazaridis don't stint. They don't set R&D spending by some formula related to their revenues – or any other measure. "We spend what we need to spend," he says. "It's kind of like launching a rocket into outer space. You can say, 'This is the fuel budget you've got, so good luck!' Or you could say, 'This is what we need to get into outer space.' It's not so bad if I have about five per cent too much fuel, but if I have five per cent too little, I don't get into orbit. Erecting a contrived budgeting process that pretends you know this is all predictable and containable often just creates dysfunctional games of sandbagging requirements or spending

it before it's gone. I'm not convinced those sort of historical processes and approaches aren't a bit anachronistic in this world. You do what you've got to do."

"I've got to approve on certain expenditures, but I don't think I've ever not approved something. They know that, because I'm signing it, I'm looking at it. And if I'm looking at it, I expect them to know what they are buying, that they've haggled for it and that they are treating it like it's their own money. So it's always well justified. But at the end of the day, what am I supposed to say? No you can't buy that module for the ERP system? You can't register for that conference you need?"

But while Balsillie may not try to control the specific spending decisions, he keeps very tight control on the overall level of spending. "We watch the numbers. We are aware of what the sales are every day and what our expenditures are. Our CFO has clear guidance for the performance we're looking for. So we know if it's getting tight – whether there's a cushion – and, if we feel we are tight, we start changing the sales initiative and our expenditures. And, if we know everyone's doing the best they can, we give longer-term guidance."

In the final analysis, RIM is answerable to the public shareholders for all its decisions. "The Chief Financial Officer plays a huge role in the interplay between the operations and the external expectations. We get our direction from the capital markets, which have no qualm saying, 'That's not what we wanted.' Kaboom! You know the correction's always going to come from somewhere. You just kind of roll with it."

CORPORATE SPONSORS



The World's First Firm
BAKER & MCKENZIE
Baker & McKenzie.com

Global Legal Capability

Defined by Local Expertise

Since 1949, Baker & McKenzie has built a legal practice of global proportion. Today, with 61 offices in 35 countries, we conduct business in the world's most significant financial and commercial centres, giving us unparalleled geographic coverage. Staffed by locally qualified attorneys, intimately familiar with the legal and business practices of their market and region, our offices comprise a seamless global network. Responsive and informed. Globally. Locally. Connected.

BCE Place, 181 Bay Street, Suite 2100, Toronto, ON M5J 2T3
Managing Partner: Edward Kowal – (416) 863-1221
www.bakernet.com/toronto

CORPORATE SPONSORS



Bank of Montreal

As a proud sponsor of the Wisdom Exchange since 1993, Bank of Montreal is pleased to support a venue that fosters new ideas and relationships. Innovative, dynamic and rapidly expanding businesses face unique and demanding challenges, and the sharing of best practices and other views within a peer group environment is an excellent way of generating practical solutions. Bank of Montreal remains committed to the development and growth of Canadian business and offers a full suite of highly competitive products and services to help you achieve your goals.

55 Bloor Street West, 14th Floor, Toronto, ON M4W 3N5
Senior Manager, Knowledge Based Industries – (416) 927-4471
Business Banking Division
www.bmo.com



Business-to-business electronic commerce is currently growing by leaps and bounds. Many experts are predicting that E-commerce will soon be an integral component of every successful company's business process.

Bell Canada offers a full suite of E-Business solutions designed to meet your business' needs, from connectivity and hosting to secure virtual private networks. To find out what cyber-commerce can do for your business, visit the Bell Canada E-Business Website at <http://www.bell.ca/en/ps/bus/ecom/> or talk to one of our E-Business Experts at 1-888-822-2355 (BELL).

Discover what products and services are right for your company's needs.

Bell Canada is proud to be a sponsor of the Wisdom Exchange again this year. Our involvement with initiatives like this reflects our commitment to helping businesses succeed in this ever-changing environment.

www.bell.ca or call (416) 310-BELL

CORPORATE SPONSORS



Business Development Bank of Canada
Banque de développement du Canada

BDC is in business for small business. We serve Canadian small businesses at every stage of their business cycle and across the spectrum of industries, services, and wholesale and distribution companies. BDC empowers small businesses to be innovative, productive and growth oriented. It provides support by offering financial and consulting services, with a particular focus on technology, E-commerce and export sectors.

For more information please contact:

Business Development Bank of Canada
150 King Street West, Suite 100, Toronto, ON M5H 1J9
John S. Geddes, Vice-President, Ontario, BDC Consulting Group - (416) 952-8254
Michel Leduc, V.P. & Area Manager, Toronto - (416) 952-3284



**Chartered
Accountants
of Ontario**

Ontario's leading businesses rely on Chartered Accountants as trusted external advisors and as key members of the management team.

Today, CAs can be found at work on the management teams of nearly every kind of organization and business, in their own successful businesses and in public practice firms, serving individuals business organizations of every size.

The Institute of Chartered Accountants of Ontario is the primary voice for Ontario's 33,000 CAs and CA students. ICAO works in partnership with Canada's other institutes of chartered accountants to provide national standards and programs that are used as examples around the world.

The Institute of Chartered Accountants of Ontario
69 Bloor Street East, Toronto, ON M4W 1B3
Tel: (416) 962-1841, ext. 269; Fax: (416) 962-5500
Kevin McGuire, Director of Government Affairs

CORPORATE SPONSORS



CDNX – Canada's public venture capital marketplace – provides emerging companies with access to investment capital through a high-profile, well-regulated national stock exchange designed with the specific needs of emerging companies in mind. Filling a unique market niche, CDNX also offers investors a ground-floor opportunity to invest in a well-regulated market focused on dynamic, innovative and growing companies.

During 2000, the first full year of operations, CDNX excelled in its key measures of success – financing activity and graduation. Almost \$2.4 billion was raised by CDNX-listed companies, and CDNX's 45 graduate companies comprised almost 40% of the new listings on the TSE.

In partnership with our members, listed companies and investors, CDNX supports entrepreneurial activity and economic development across Canada with more than 2,600 listed companies. CDNX has offices in four locations: Toronto, Calgary, Vancouver and Winnipeg.

To learn more about taking your company to the next level on CDNX, contact:

CDNX

Delilah Panio, Business Development Executive

The Exchange Tower, 6th Floor,

130 King Street W, Toronto, ON M5X 1E5

Toll-Free: 1-877-421-CDNX; direct: (416) 860-4116 E-mail: dpanio@cdnx.ca



Thinking Like An Investor™ - It's How We Do Business

CIBC's Knowledge-Based Business is fast becoming the preferred financial partner of technology leaders in Canada. Our industry expertise provides in-depth understanding of your business issues. We are a team of focused, specialized professionals – including senior bankers and technology advisors – who understand the marketplace, your challenges and the opportunities that will help you better compete.

With our extensive partnerships both within CIBC and externally, the KBB Group provides solutions and capabilities to meet all of your growing financial needs. We deliver seamless financing and advisory solutions for every stage of your business development.

Mauro Spagnolo, Vice-President, Knowledge-Based Business
mspagnolo@kbb.cibc.com

CORPORATE SPONSORS



Cisco Systems is the worldwide leader in networking for the Internet. Cisco's networking solutions connect people, computing devices and computer networks, allowing people to access or transfer information without regard to differences in time, place or type of computer system.

The Internet is changing the way people work, live, learn and play – and Cisco Systems is an example of the power of this revolution. By widely deploying business solutions based on the Internet, Cisco Systems has saved over \$87 billion per year in operating costs, and has developed many tools to assist businesses in accelerating their success on the Internet.

Additional information on the company, and free access to tools can be found at www.cisco.com

Deloitte & Touche is proud to be a sponsor of both the Wisdom Exchange and the Innovators Alliance.

The majority of our clients are small and medium-size companies like yours. Our clients come to us for a variety of professional services driven by their growth objectives and the challenges inherent in managing an expanding organization.

We know that you are always looking for ways to increase your profitability, improve decision-making and effectively managing your business. We also understand that these become moving targets for companies growing as fast as yours. We have the experts and the expertise to help.

181 Bay Street, Suite 1400, Toronto, ON M5J 2V1
Keith Pennells, C.A. at (416) 601-6315 or kpennells@deloitte.ca

Deloitte & Touche

CORPORATE SPONSORS



Export Development
Corporation
Société pour l'expansion
des exportations

Canadian Exporters of all sizes use the Export Development Corporation (EDC) to help them grow and prosper in international markets. EDC is a Canadian financial institution devoted exclusively to providing trade finance services in support of Canadian exporters and investors in up to 200 markets. Founded in 1944, EDC is a Crown Corporation that operates as a commercial financial institution. Through our insurance and finance solutions, we can help exporters compete around the world, including in higher-risk and emerging markets.

No company is too small to export, and no exporter is too small for EDC. Companies with annual export sales of up to \$1 million can reach an EDC decision-maker by calling our Emerging Exporters Team at 1-800-850-9626 (7:30 a.m. to 8:00 p.m. Eastern Time). Larger exporters should contact the nearest EDC Regional Office at 1-888-332-3777, which will put you in touch with the right person immediately.

150 York Street, Suite 810, Toronto, ON M5H 3S5
Ruth Fothergill, Regional Vice-President, Ontario
E-mail: rfothergill@edc-see.ca
www.edc.ca



Global Capital Partners Inc.

Subject: Global Capital Partners Inc.

Investment Bankers Serving Emerging and Mid-Market Companies

Global Capital Partners – advisors to “Canada’s Best.” We are a professional team of investment bankers and entrepreneurs dedicated to serving emerging and mid-market companies. Our principals draw on their experience as venture capitalists, corporate financiers, M&A specialists and business valuers to advise outstanding Canadian companies.

Our knowledge and experience, which comes from a consistent market presence and a record of successful transactions, makes us the investment banker of choice for many dynamic Canadian companies including Coretec Inc., NHB Group Inc. and Home & Rural Appliances.

Global Capital Partners – Serving Canada’s Best

155 University Avenue, Suite 1220, Toronto, ON M5H 3B7
Kevin Wilson: (416) 867-9099, ext. 222 kwilson@globalcp.com
Jonathan Edgett: (416) 867-9099, ext. 223 jedgett@globalcp.com

CORPORATE SPONSORS

Gowling Lafleur Henderson LLP | Barristers & Solicitors | Patent & Trade Mark Agents |

GOWLINGS

Our Intellectual Property Protects Yours

With an international reputation in Intellectual Property and nationwide expertise in E-commerce and business law, we have the knowledge and experience to protect your intellectual capital, from conception to IPO, M&A and beyond.

David Pamenter, Toronto – (416) 862-3611
John Durdan, Waterloo Region – (519) 575-7535

Grant Jameson, Ottawa – (613) 786-8663
Victor Buza, Hamilton – (905) 540-3263

www.gowlings.com

Gowlings ... proud to sponsor the Wisdom Exchange

Montreal

Ottawa

Toronto

Hamilton

Waterloo Region

Calgary

Vancouver

Moscow



i n v e n t

®

About Hewlett-Packard

Hewlett-Packard has a legacy of supporting and promoting lifelong learning through technology, philanthropy and community outreach and is pleased to be a sponsor of the Wisdom Exchange – a forum that promotes innovation and knowledge sharing for the economic development of fast-growing firms in Ontario.

Hewlett-Packard is a leading global provider of computing and imaging solutions and services, whose purpose is the creation of information products that accelerate the advancement of knowledge and fundamentally improve the effectiveness of people and organizations.

5150 Spectrum Way
Mississauga, ON L4W 5G1 or visit us at www.hp.ca

CORPORATE SPONSORS



IBM is a proud supporter of The Wisdom Exchange.

Stay ahead of the competition with e-business solutions.
Visit **ibm.com** today to gain competitive advantage.



IBM, e-business, and the e-business logo are trademarks or registered trademarks of International Business Machines and are used under license by IBM Canada Ltd.

launchworks

Plug In.

With offices in Toronto, Calgary and Vancouver, Launchworks is Canada's source of launch capital for rapidly growing software and technology firms. Provided primarily through the extensive network of Launchworks Group, launch capital gives partners access to the financial, intellectual and resource capital necessary for the success of emerging companies.

As some of the direct investors in our business model, BMO/Nesbit Burns, Thomson Kernaghan, Yorkton Securities and divine inc. offer our investment partners valuable networking and partnership opportunities both domestically and internationally.

Launchworks inc.

350 Bay Street, 6th Floor, Toronto, ON M5H 2S6

Tel: (416) 862-5515; Fax: (416) 862-5510; Toll-free: 1-866-743-7701

www.launchworks.com

toronto@launchworks.com

CORPORATE SPONSORS

Microsoft®

About Microsoft Canada

As the Canadian subsidiary of Microsoft Corporation, Microsoft Canada is a leader in providing software solutions to help businesses successfully compete in the digital economy. Our mission is to empower people through great software – anytime, anywhere, and on any device.

Microsoft Canada provides consulting, sales and technology support services to businesses of all sizes. We also offer software licensing programs specifically designed to meet the needs of rapidly growing small and mid-sized companies.

To find out more about our solutions for your business, please visit us at www.microsoft.ca/smallbiz or call our sales information line at 1-800-563-9048.

Microsoft Canada, 320 Matheson Blvd. West, Mississauga, ON L5R 3R1

Tel: (905) 586-0434

Cheri Chevalier, Small Business Marketing Manager

cheric@microsoft.com

ORENDA

CORPORATE FINANCE

Orenda is an independent corporate finance advisory firm which provides strategic financial advice, raises capital (both debt and equity) in Canada and the U.S. and assists clients in acquiring or selling businesses.

By bringing the diverse yet complementary skill sets and experience of its fifteen partners to each assignment, Orenda helps owners and operators of businesses to maximize shareholder value and obtain the best terms and conditions possible through the creation of a competitive process.

Founded in 1990, the company is a pre-eminent firm in its market niche of serving established mid-sized private and public companies and their shareholders.

Canada Trust Tower, BCE Place, 161 Bay Street, Suite 4220, Toronto, ON M5J 2S1

Scott Fowler (416) 594-9018 – sfowler@orendacf.com

Dan Lioutas (416) 594-3424 – dlioutas@orendacf.com

Website: www.orendacf.com

CORPORATE SPONSORS



ROYAL BANK

Member of Royal Bank Financial Group*

Royal Bank is Canada's largest financial institution offering customized services to meet the needs of Knowledge-Based Industries (KBI) customers since 1994. Royal Bank and its key subsidiaries – RBC Dominion Securities, RBC Capital Partners and RBC Ventures Inc. – are networked with KBI specialists to provide services for all personal and commercial needs.

As a leader in the growing field of KBI, Royal Bank's team of over 65 KBI Account Managers in 20 strategic locations provides specialized attention, innovative solutions and network access to almost 6,000 clients in Media and Entertainment, Information Technology and Life Sciences & Health Care Industries. Resources are provided to KBI clients throughout their company lifecycles – from pre-startup through growth, initial public offerings, global market entry and beyond, by drawing on the expertise of all Royal Bank Financial Group (RBCFG) members.

For more information on Royal Bank's KBI Initiative, visit our Website at www.royalbank.com/kbi

For enquiries regarding Knowledge-Based Industries, please contact:
Brent Keating, KBI Market Manager, Information Technologies
260 East Beaver Creek Road, 2nd floor, Richmond Hill, ON L4B 3M3
Phone: 905-764-4381 brent.keating@royalbank.com



Toronto Stock Exchange

The Toronto Stock Exchange is Canada's senior stock exchange and consistently ranks among the world's top 10 exchanges by market capitalization. With more than 1400 listed companies and \$944 billion in trading in 2000, the TSE is where the world trades Canada.

At the TSE, one of our primary goals is to partner with our listed companies for success in the capital markets. We are pleased to have sponsored the 2000 Wisdom Exchange and look forward to being a partner in the future of your company.

We invite you to learn more about how the TSE can help your company grow. For more information, contact Listings Marketing and Company Services at (416) 947-4728.

130 King Street West, Toronto, ON M5X 1J2
Website: www.tse.com

CORPORATE SPONSORS



E-Commerce. Logistics. Global Trade. When it comes to getting goods to global markets fast, and managing the entire supply chain, more companies are turning to a worldwide organization with the right global resources and expertise. This business solution partner?

UPS

As the world's largest express courier and package delivery company delivering to more than 200 countries and territories around the world, UPS also delivers business solutions to help companies grow. Like UPS's new suite of cross-border services to the U.S. – just launched in February 2001 to help Canadian companies minimize the impact of the Canada – U.S. border.

In North America and worldwide, customized E-commerce processes, supply chain management and UPS OnLine Tools are helping companies to compete in a virtual business world.

Trust UPS to handle your distribution needs and help your business grow.

6285 Northam Drive, 4th floor, Mississauga, ON L4V 1X5
Geoff Bastow, Vice-President, Business Development
Tel: (905) 676-6274
gbastow@ups.com

VenGrowth

Canada's Venture Capital Leader

With close to \$1 billion in assets under its management, VenGrowth is Canada's leading technology venture capitalist. With a successful track record spanning two decades, VenGrowth has the most experienced and accomplished investment team, combining both venture capital and operational expertise. Since it began operations in 1982, VenGrowth has invested nearly \$500 million in more than 100 companies on behalf of leading pension funds, insurance companies, family foundations and individual investors. Some of our key investments include Tundra Semiconductor Corp., Genesis Microchip Inc. and Longview Solutions Inc. As Canada's equity partner of choice, VenGrowth is committed to selecting and backing the most promising businesses, and to actively helping our investee companies succeed in becoming global leaders.

145 Wellington Street West, Suite 200, Toronto, ON M5J 1H8
950 Winter Street, Suite 2600, Waltham, MA 02451
www.vengrowth.com
Contact: Earl Storie, Managing Director – (416) 971-6656

PARTICIPATING FIRMS AND WEBSITES

Accord Plastics Corporation
www.accordplastics.com

Activation Laboratories Ltd.
www.actlabs.com

AdCulture Group Inc.

Aero-Safe Technologies Inc.
www.tony@aerosafe.com

Aiolos Engineering Corporation
www.aiolos.com

Alexandria Moulding Inc.
www.alexmo.com

Almac Conveyor Co Ltd.
www.almac.com

Alutron Modules Inc.
www.alutronmodules.com

Armo-Tool Limited
www.armotool.on.ca

Arqana Technologies Inc.
www.arqana.com

Assured Packaging Inc.

Axiom Technologies Limited
www.axiom.on.ca

Basic Technologies Corporation
www.basic.ca

Bay Communications

BMP Metals Inc.
www.bmpmetals.com

BTC Logistics Division of Burnet Traffic
Consultants Ltd.
www.btclogistics.com

Business Ambassador, Ontario Government
www.tomvassos.com

Cancable Inc.
www.dependableit.com

Cansult Limited
www.cansult.com

CGL Manufacturing Ltd.
www.cglmfg.com

Chad Management Consultants
www.chadman.com

Chipworks Inc.
www.chipworks.com

CM Inc.
www.cmigroup.com

Commvesco Levinson-Viner Group
www.clvgroup.com

Comtactics
www.comtactics.com

Comtek Advanced Structures Ltd.
www.comtekadvanced.com

Conference Cup Ltd.
www.conferencecup.com

Crystal Fountains Inc.
www.crystalfountains.com

D-Code Inc.
www.d-code.com

Daedalian Systems Group Inc.
www.daedalian.com

Danfoss Inc.
www.danfoss.ca

Definiti Laser Inc.
www.definitilaser.com

Digital 4Sight
www.digital4sight.com

DST Group Inc.
www.dst-engineers.on.ca

DTA Services Limited
www.dta.on.ca

Dynacon Inc.
www.dynacon.ca

Eagle Professional Resources Inc.
www.eagleonline.com

EDO Restaurants Inc.
www.sushi.com

Enghouse Systems Limited
www.enghouse.com

Excalibur Learning Resource Centre
www.excalibur.ca

Family Tradition Foods (Tecumseh) Inc.
www.familytradition.com

Feature Factory Inc.
www.fefa.com

Fernlea Flowers Limited
www.fernlea.com

First Base Inc.
www.first-base.com

Foam-S Fabricators Ltd.
www.foam-s.com

Forever New Company
www.forevernew.ca

Gen-Sci Regeneration Sciences Inc.
www.gensciinc.com

Gen-X Sports Inc.
www.genxsportsinc.com

Geosoft Inc.
www.geosoft.com

Graves Engineering Finishing

Growers Greenhouse Supplies Inc.
www.ggs-greenhouse.com

GTN Communications Corporation
www.callgtm.com

Gunther Mele Ltd.
www.gunthermele.com

G.A.P. Adventure Inc.
www.gap.ca

HB Group Insurance Management Ltd.
www.directprotect.com

HomeProject.Inc.
www.ditek.com

HPM Consulting Inc.
www.hpmconsulting.com

Hunjan Moulded Products Inc.
www.hunjan.com

Hydra Dyne
www.hydradyne.org

H.D. Brown Enterprises Ltd.

Icynene Inc.
www.icynene.on.ca

Infostream Technologies Inc.
www.infostreamtechnologies.com

InSystems Technologies Inc.
www.insystems.com

Intellimeter Canada

Interior Dimensions
www.intdim.com

Irwin Seating Company Inc.
www.irwinseating.com

JobShark Corporation
www.jobshark.com

Johnston Smith International
www.johnstonsmith.com

JUBIL Packaging Services Inc.
www.packaging.ca

Kempfenfelt Graphics Group Inc.
www.kgdigital.com

LaserNetworks Inc.
www.lasernetworks.com

Lintex Computer Group Inc.
www.lintexgroup.com

Logic Box Distribution
www.logicbox.com

Longview Solutions Inc.
www.longview.com

Martin Building Maintenance
www.martinservices.com

Matrix Technology
www.matrixtechnology.ca

McDonald Systems Group
www.mcdsys.com

Multi-Laser Inc.
www.multilaser.com

Murray Axmith & Associates Ltd.
www.murrayaxmith.com

MXI Technologies
www.mxi.com

M.B. Foster Associates
www.mbfoster.com

N'Amerix Logistix Inc.
www.namerix.com

N5R.com
www.n5r.com

Nelson Industrial Inc.
www.nelsonindust.com

New-Form Manufacturing Co. Ltd.
www.new-form.com

Norspex Ltd. (T.A. Norex)
www.watermaxx.ca

NURUN INC.
www.entrevision.com

Oasis Technology Ltd.
www.oasis-technology.com

OCM Technology Inc.
www.ocmtech.com

OM Video
www.omvideo.ca

Ontario Service Safety Alliance
www.ossa.com

Oxford Properties Group

Papertech Marketing Group Inc.
www.cram.com

PC Outlet Inc.
www.pcoutlet.com

Pride Signs Limited
www.pridesigns.com

Progestic International Inc.
www.progestic.com

Protek Systems,
 A Division of Protek Corporation
www.proteksys.com

R-Theta Inc.
www.r-theta.com

Reid Eddison Inc.
www.reideddison.com

Rescraft Plastic Products Inc.

Rimrock Corporation
www.rimrock.com

Rodair International
www.rodair.com

Rotoflex International Inc.
www.rotoflex.com

Satellite Communications Inc.
www.sat-ca.com

Schleese Saddlery Service Ltd.
www.schleese.com

Shepherd Products Inc.
www.shepherdproductsinc.com

Sierra Systems Consultants Inc.
www.sierrays.com

Softalk Inc.
www.bestnetcom.com

Southmedic Inc.
www.southmedic.on.ca

Southport Data Systems
www.southport.com

SPI Industries Inc.
www.spiplastic.com

Stott Equipment Sales Inc.
www.stottplates.com

Student On-Site Solutions
www.sos.ca

Summerwood Products Inc.
www.summerwood.com

Sys-X Corporation
www.sys.x.com

System Resale Solutions IV Ltd.
www.systemresale.com

Systematic Computer Services Corporation
www.systematic.com

Teranet Land Information Services Inc.
www.teranet.on.ca

TGO Consulting Inc.
www.tgo.ca

The Brady Group Inc.

The Braegen Group Incorporated
www.braegen.com

The C3 Group
www.c3group.com

The LEC Steel Group Inc.
www.lecsteel.com

The NRG Group
www.thenrggroup.com

Transpro Freight Systems Ltd.
www.transpro.on.ca

Tri-Media Marketing & Publicity Inc.
www.tri-media.com

Tridem Industries Inc.
www.slacan.com

Trojan Technologies Inc.
www.trojanuv.com

Tucows Inc.
www.tucows.com

Tundra Semiconductor Corporation
www.tundra.com

Tyler Publishing
www.supershipper.com

Underlines Inc.
www.underlines.com

United System Solutions Inc.
www.ussinc.com

Universal Engineering
 Div. of U.E. Stamping Ltd.
www.uestamp.com

Voicegate Corporation
www.voicegatecorp.com

VTRAC IT Consultants Corporation
www.vtrac.com

Webmotion Inc.
www.webmotion.ca

Wellmaster Pipe & Supply Inc.
www.wellmaster.on.ca

Working World Training Centre Inc.
www.workingworld.ca

Xenos Group Inc.
www.xenogroup.com

Yfactor Inc.
www.yfactor.com

Zim Technologies International Inc.
www.zti.ca

PROUD CONTRIBUTORS

Digital 4Sight

Queen's School of Business,
Queen's Centre for Enterprise Development

Toronto Board of Trade

ROB Magazine

PARTICIPATING SPONSORS AND WEBSITES

Baker & McKenzie

www.bakernet.com/toronto

Bank of Montreal

www.bmo.com

Bell Canada

www.bell.ca

Business Development Bank of Canada

www.bdc.ca

CDNX

www.cdnx.ca

CIBC

www.cibc.com

Cisco Systems

www.cisco.com/ca

Deloitte & Touche

www.deloitte.ca

Export Development Corporation

www.edc.ca

Global Capital Partners Inc.

www.globalcp.com

Gowling Lafleur Henderson LLP

www.gowlings.com

Hewlett-Packard

www.hp.ca

IBM

ibm.com

Launchworks

www.launchworks.com

Microsoft Canada

www.microsoft.com/canada

Orenda Corporate Finance

www.orendacf.com

Royal Bank of Canada

www.royalbank.com/kbi

The Institute of Chartered Accountants
of Ontario

www.icao.on.ca

Toronto Stock Exchange

www.tse.com

United Parcel Service Canada Ltd.

www.ups.ca

VenGrowth

www.vengrowth.com

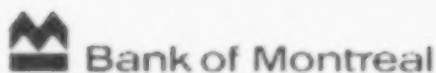
PARTICIPATING SPONSORS



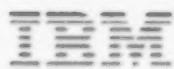
Microsoft

TSE

Toronto Stock Exchange



VenGrowth



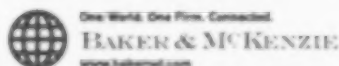
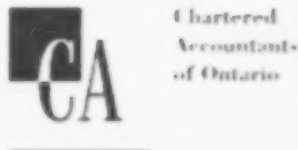
Export Development
Corporation
Société pour l'expansion
des exportations



Global Capital Partners Inc.



**Deloitte
& Touche**



launchworks



THE LEADING GROWTH FIRMS SERIES

The Ministry is producing a series of publications based on innovative research and insights shared by CEOs and Presidents of Ontario's leading growth firms.

- | | |
|-------|---|
| No. 1 | <u>The Innovation Report, 1999</u> |
| No. 2 | <u>The Growth Builders Report, 2000</u> |
| No. 3 | <u>The Six Stages of Growth in Leading Growth Firms, 2001</u> |
| No. 4 | <u>E-Business Readiness Assessment Report, 2001</u> |
| No. 5 | <u>The Wisdom Exchange 2000 Report, 2001</u> |

Visit our website at www.ontario-canada.com/wisdomexchange

Ministry of Economic Development and Trade
Innovation and Business Development Branch
6th Floor, Hearst Block, 900 Bay Street
Toronto, Ontario M7A 2E1
Email: ann.matyas@edt.gov.on.ca